

## NEWS SUMMARY

### GENERAL

#### Thatcher's pledge to Olympic athletes

The Government will not use "oppressive methods" to stop British athletes going to Moscow for the Olympic Games. Mrs. Thatcher told a delegation from the Central Council for Physical Recreation yesterday.

It would not withdraw passports or refuse visas to competitors but would adopt what the Prime Minister described as a "step by step approach" in a bid to get the Games transferred. Council members, however, said they thought the idea was impractical. Parliament, Page 10

#### Embassy burned

Angry crowds attacked and burned down the French embassy in Tripoli but staff escaped unhurt. French Foreign Ministry protested strongly to the Libyan Government. Page 3

#### Sakharov warned

Dissident Soviet physicist Andrei Sakharov, banished last month to Gorky, said he has been threatened with further moves against him if he continues issuing statements for publication abroad. Page 3

#### Carter ahead

National support for President Carter's foreign policies has intensified, according to two major U.S. public opinion polls. He is now favourite to win re-election for a second term. Page 6

#### Lebanese talks

Lebanese leaders held urgent talks on the impact of a planned withdrawal of Syrian peace-keeping forces from Beirut which could pose a serious threat to security. Page 4

#### Apartheid 'stays'

South Africa's new opposition leader Frederik van Zyl Slabbert claimed the Government is unwilling and unable to dismantle apartheid and racial discrimination. Page 1

#### Reformer dies

Baroness Summerskill, a vigorous advocate of social reforms throughout a parliamentary career that spanned more than 40 years, died yesterday. She was 73. Obituary, Page 10

#### Phone taps

Customs and Excise can apply to the Home Secretary for a warrant to tap a suspect's phone when investigating major fraud cases. The Prime Minister told the Commons. Parliament, Page 10

#### Yorkshire crash

Pilot of a light aircraft was injured when he crashed landed on the busy A658 Bradford to Harrogate road, Yorkshire. Police immediately sealed off the area as hundreds of gallons of aviation fuel spilled, causing a fire hazard.

#### Sentence cut

AA patrolman David Owen, 25, jailed for life last May for the rape and robbery of a girl driver whose car had broken down, had his sentence cut to seven years by the Court of Appeal.

#### Briefly...

Death toll in the New Mexico State Prison riot was 35, all inmates.

Prices Minister Sally Oppenheim was at her husband's bedside in a London hospital following his severe brain haemorrhage on Saturday.

#### CHIEF PRICE CHANGES YESTERDAY

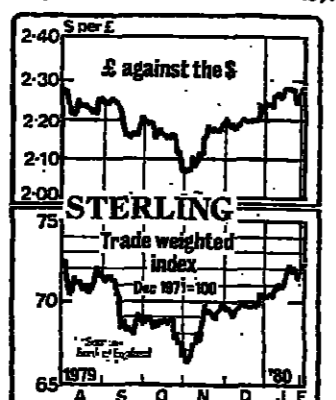
(Prices in pence unless otherwise indicated)

<b>RISERS:</b>		<b>FALLS:</b>	
BHTON (Percy) .....	233 + 8	Exchequer 3pc 1984 .....	108 1/2 - 1
Dunelm-Combes .....	23 + 34	Treasury 15pc '86 .....	110 - 1
Marx .....	68 + 5	Bowling (C. T.) .....	138 - 4
Jermyn Invs. ....	306 + 15	British Cargo Air. ....	35 - 21
Matthews (Bernard) .....	80 + 8	Burton Group .....	104 - 4
May and Hassell .....	370 + 10	Clive Diaper .....	73 - 6
MHS and Allen .....	42 + 4	Comet Radio .....	90 - 4
Needlers .....	380 + 10	Coral Leisure .....	67 - 5
Newmark (Louis) .....	75 + 12	Hambros .....	323 - 15
Rohan Group .....	508 + 12	Hilwards .....	151 - 9
Seahy .....	438 + 26	House of Fraser .....	128 - 7
LASMO .....	678 + 22	Ladbroke .....	154 - 5
Siebens (UK) .....	365 + 15	Lucas Inds. ....	250 - 5
Cons. Gold Australia .....	81 + 19	M. K. Electric .....	177 - 6
East Daggafontein .....	225 + 15	Midland Bank .....	370 - 6
Gold M. Kalgorthie .....	83 + 5	Wedgwood .....	65 - 3
Other Exploration .....	158 + 14	Malakoff .....	98 - 9
Pacific Copper .....	415 + 15	Bougainville .....	187 - 9
Thames Holdings .....	228 - 9	Central Pacific Mins. ....	230 - 1
		Oakbridge .....	212 - 23
		RTZ .....	395 - 10
		Western Mining .....	228 - 9

### BUSINESS

#### Sterling firm; Equities off 2.1

STERLING closed at \$2.2855, a rise of 1.15 cents. Its trade weighted index was 72.3 (72.0).



DOLLAR lost ground to close at DM 1.7415 (DM 1.7435). Its index was unchanged at 85.2.

GOLD fell in London to close \$10.5 down at \$667.

GILTS weakened further, the Government Securities index closing 0.64 down at 65.81.

EQUITIES closed 2.1 down at 445.7, leading shares holding up well despite the bleak industrial background.

WALL STREET was down 247 at 879.01 just before the close.

STOCK Exchange turnover in January was £21.6bn, near the record £22.4bn of September, 1977. Page 29

PAUL VOLCKER, chairman of the U.S. Federal Reserve Board, warned that the number of banks threatening to leave the Fed system was nearing "flood proportions." Back Page

BRITAIN faces stiff opposition from other EEC countries to its demand for curbs on cheap U.S. synthetic fibres. Page 3

PAKISTAN is seeking \$1bn (£444.8m) in economic aid from the West and the Moslem world. Page 4

INTERNATIONAL Synthetic Rubber is to reopen a styrene-butadiene plant—closed three weeks ago as a protest against raw material prices—after a new agreement with Esso Chemical. Back Page

BRITISH Overseas Trade Board efforts to make shop workers more aware of the value of exports have met with little success. Page 6

BASF, the West German chemicals concern, has acquired Fritzsche, Dodge and Olcott, a New York company specialising in scents and flavour additives. Page 25

TRIDENT Television told employees that they should resign immediately if they joined a group applying for the Trident franchises. Page 10

#### COMPANIES

LORRH announced pre-tax profits for the year to September down by £9.64m to £84m. Page 23 and Lex. Back Page

ALLIED Chemical, the seventh largest U.S. chemical company, more than doubled fourth-quarter earnings to \$67.4m (£29.5m) from \$29.6m (£12.9m). Page 25

COMMERCIAL Banking of Sydney, increased earnings by 44 per cent from \$A11.5m (£5.63m) to \$A16.5m (£8.09m) in the half-year to December. Page 27

VIEROPLANT, the North Yorkshire plant hire company, reports first-half pre-tax profits up from £1.6m to £2.1m. Page 24

## Wiggins Teape in joint project for newsprint mill

BY WILLIAM HALL AND RAY PERMAN

Wiggins Teape and Consolidated-Bathurst are preparing detailed plans for a £100m newsprint mill at Fort William in Scotland. The project marks a major reversal of the declining trend in UK newsprint production.

It is a significant development for European producers, which are being urged to replace old-fashioned sulphite pulp mills with modern integrated newsprint capacity to compete with the North American producers.

Wiggins Teape, part of BAT Industries, and Consolidated-Bathurst, one of Canada's leading paper producers, announced yesterday that they had agreed to complete the final stage of their studies with the aim of forming a joint venture to produce newsprint at Fort William. If the final studies are successful construction of the mill will start in July, with completion fixed for early 1983.

The news is a welcome reprieve for the 450 workers at the threatened Fort William pulp mill. Wiggins Teape started producing chemical pulp at Fort William in 1966, but has been losing money heavily in recent years.

The pulp mill was due for closure unless an alternative process could be developed.

A firm of consultants, Jaakko Poyry, recommended last year that the best way to maintain employment at the pulp mill would be to set up a newsprint plant.

Both the big UK producers, Reed and Bowater, were approached by Wiggins Teape, but both felt that the project was not economically viable.

Mr. Bill Turner, president of Consolidated-Bathurst, said that after nearly a year of investigation work his company was convinced that a newsprint venture at Fort William would be internationally competitive.

"There are still a lot of details to be worked out before we can say definitely that it will go ahead. All I can say now is that we are hopeful."

Among the details still to be tied up are costs of energy and timber, and the scale of Government assistance. It is intended that Consolidated-Bathurst should be the majority partner.

The newsprint will be produced by a single machine at an annual rate of 156,000 tons. This is considerably larger than existing UK newsprint machines.

The resultant economies of scale are one of the main reasons why the project should be feasible, according to Mr. Patrick Best, chairman of the Wiggins Teape Group.

Mr. Best added that the new mill would have an advantage over other UK newsprint mills in being able to produce its output solely from home-grown timber.

Much of its output would be aimed at the lightweight end of the market used by web-offset printers. Consolidated-Bathurst estimates that UK mills at present can produce only 17 per cent of the 230,000 tons a year used by web-offset processes.

The new mechanised pulp mill and newsprint plant would employ between 300 and 400 people, compared with 450 at present employed at the chemical mill. Mr. Alex Fletcher, the Scottish Industry Minister, welcomed the announcement yesterday and said that he was ready to discuss the extent and nature of Government assistance.

Fort William has recently been given the status of a development area, but the proportion of building costs normally paid by Government is to be reduced from 20 to 15 per cent from August 1.

This is understood to be one reason why Wiggins Teape and Consolidated-Bathurst are in a hurry to start construction.

News Analysis, Page 9

## BNOC undecided on size of new price increase

BY RAY DAFER, ENERGY EDITOR

BRITISH National Oil Corporation has told its customers that North Sea prices will be raised from the beginning of this month. And yesterday Indonesia announced a \$2 a barrel increase in its oil.

Pertamina, Indonesia's state corporation, has set the price of its benchmark Minas Sumatran light crude at \$29.50 a barrel, between the levels fixed by the leading pricing moderate Saudi Arabia (\$26.00 for its reference crude) and one of the leading hawks, Iran (\$31 a barrel).

BNOC, the UK state oil corporation, has still to decide the new level of North Sea prices, which normally relate to the cost of crude oil from Nigeria, Algeria and Libya.

Following a spate of pricing revisions this weekend high-grade African oil is being sold at record levels, up to \$37.21 a barrel in the case of Algeria (including a \$3 a barrel refund on exploration surcharge) and \$34.32 for top grade Nigerian crude. Libya, which is already charging up to \$34.72, may impose a further increase.

This leaves UK oil underpriced at \$29.75 a barrel for Forties-type reference crude. But both the Government and BNOC are in a quandary about both the size of any increase, and the manner in which it should be implemented.

Mr. David Howell, Energy Secretary, has stated that Britain should follow the pricing trend, with North Sea producers acting as a moderating force. But under state participation agreements, BNOC is committed to buy and sell oil at the market rate.

It is understood three options have been considered:

• BNOC would leave the price at \$29.75 and wait for a customer — probably an independent oil company — to protest. This would lead to an independent expert being called in to fix North Sea prices.

• It could go ahead and settle for an increase of, say, \$4 a barrel, keeping North Sea prices in line with those of Nigeria.

• It could nominate a lower increase — say \$2 a barrel — and impose a further adjustable surcharge. In this way prices could be adjusted in step with international trends.

It is felt in the industry that exporters will find it difficult to sustain some of the very high prices now being charged. It is pointed out that the increases run counter to the trend in the spot market, where rates have fallen from \$39-\$40 a barrel just before Christmas to nearer \$30-\$35 a barrel.

Dr. Ulf Lantze, director of the International Energy Agency, said yesterday the international oil market was unlikely to bear the latest price increases.

Oil consultant hits at North Sea chase, Page 8

## Hadfields to withhold PAYE

BY OUR INDUSTRIAL AND LABOUR STAFF

A LEADING private steel company decided yesterday to take action in protest against secondary strike action.

Mr. Derek Norton, managing director of Hadfields of Sheffield, one of the companies hardest hit by the steelworkers' moves against the private sector of the industry, will withhold £2m-a-month due to the Government from the company in income tax, national insurance contributions, and value added tax.

"All these payments will be stopped," Mr. Derek Norton said of the unanimous decision of himself and his nine fellow directors. "It just so happens that the sum equates to the loss which we consider we shall suffer while the strike continues."

The Department of Inland Revenue said last night: "People have a statutory obligation to pay. And we have a statutory obligation to collect. Anyone who is not in a position to pay will no doubt be discussing it with his collector of taxes."

"PAYE which is deducted from employees' wages does not belong to the company that collects it."

Mr. Norton said last night the company realised that ultimately it would have to pay the money owed to the Government.

"But our number one problem at the moment is cash flow."

Continued on Back Page

Tougher picketing curbs urged. Back Page

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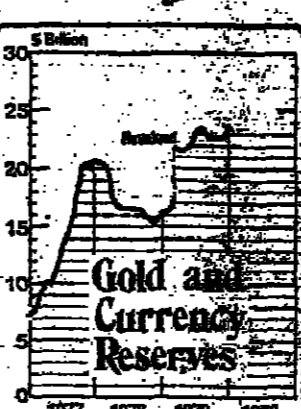
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Unit Trusts .....

Weather .....

World Trade News .....

World Value .....



## Reserves rise to \$23.71bn

BY DAVID MARSH

BRITAIN'S gold and foreign currency reserves rose to their highest-ever level last month as a result of further sales of the Bank of England's gold holdings.

The reserves rose \$667m at the end of January to \$23.71bn. After allowing for changes in the gold valuation, transactions with the International Monetary Fund and overseas debt payments, the underlying increase was \$509m, indicating almost continuous Bank of England intervention to smooth the rise of the pound.

The reserves have shown an underlying rise of about \$1bn in the past two months, reflecting substantial upward pressure on the pound from rising North Sea oil prices.

While refraining from intervening to hold a specific exchange rate for the pound, the Bank of England tries to cushion off excess demand in the market to prevent excessive fluctuations in the exchange rate.

The reserves were boosted by \$41m during the month through an increased allocation of European Currency Units. This resulted from the quarterly revaluation of gold reserves made by the European Monetary Cooperation Fund.

Under ECU arrangements for partial pooling of reserves, 20 per cent of member countries' gold and foreign exchange reserves are deposited at the fund in exchange for European Currency Units. The gold valuation is changed every three months on the basis of the average price in the previous six months.

The reserves also profited from a distribution of \$200m of Special Drawing Rights issued by the International Monetary Fund, and a valuation increase of \$80m stemming from the fund's restitution of part of Britain's original gold subscription.

Accruals of public-sector borrowing under the exchange cover scheme amounted to \$40m. Editorial Comment, Page 29. Money Markets, Page 26

Dr. Ulf Lantze, director of the International Energy Agency, said yesterday the international oil market was unlikely to bear the latest price increases.

Oil consultant hits at North Sea chase, Page 8

## GEC gives terms of Decca bid

BY CHRISTOPHER CLAPHAM

GEC, THE country's largest electrical group, has laid out the terms of a £225m offer to buy Decca, against the earlier bid from Royal.

Yesterday morning GEC offered to buy the 700 shares of the troubled high technology electronics, television and music business for 50p in cash and the "A" shares for 40p.

The offer values Decca at £22.5m. In contrast, the earlier all-share offer from Royal Electronics is worth only £24.5m. Royal's shares fell 6p in the market yesterday after a 15p drop on Friday's GEC's price rose to 30p.

As an alternative to straight cash, GEC is also offering shareholders the option to accept convertible unsecured GEC loan stock, though the terms of that will not be known until the formal offer document is published.

The loan stock offer has been devised to attract shareholders with capital gains tax problems, and institutional holders who want to maintain their presence in the electrical sector rather than accept cash which they would then need to reinvest.

Decca's board, which had unanimously recommended Royal's bid before GEC announced its counter bid, will meet to discuss the new offer tomorrow.

Mr. Nigel Graham Maw, who took over as chairman of Decca on the death of Sir Edward Lewis last week, said yesterday:

that there was a significant difference between the two prices. However, he pointed out: "GEC's statement says nothing about the future integrity of Decca, particularly as far as staff and employees are concerned. We will be asking them for assurances. The employee point will be a very important one."

Royal refused to comment on GEC's offer and said that the board had no intention of meeting in the next day or so.

Royal owns 8 per cent of Decca in its own name and has "irrevocable acceptances" from shareholders owning a further 17.2 per cent. Still uncommitted is the 8 per cent held registered in the name of Dr. J. Dimenstein, a Decca director, and the 36 per cent or so held by UK institutions.

Yesterday the fund managers, who traditionally do not accept until the last possible day, were weighing up the comparative industrial advantages.

The main points at issue were whether GEC's technology matched better with Decca than Royal's, and whether Royal had enough management to restore Decca's fortunes.

In its statement, GEC drew attention to the long association of its subsidiary Marconi Space and Defence Systems with Decca in the fields of electronic "counter-measures."

Featured, Page 20  
Lex. Back Page

## Brookes may head body to develop dockland

BY ROBIN PAULEY

MR. NIGEL BROOKES, chairman of Bradford City, is expected to be named as chairman of the London Docklands Development Corporation, the Labour-controlled dockland boroughs to co-operate with him. He is certain to ask one or two, at least, to join the corporation, the most likely being Mr. John O'Driscoll of Southwark, and Mr. Paul Beasley, of Tower Hamlets. Bringing new life to dockland. Page 8

The Bill establishing the corporation to take over the redevelopment of 5,000 acres of dockland provides for the corporation to have a chairman, vice-chairman and up to 11 members. At the same time Mr. Brookes is expected to announce the name of the chairman of a second dockland development corporation for Merseyside.

Mr. Brookes is expected to be named as chairman of the London Docklands Development Corporation, the Labour-controlled dockland boroughs to co-operate with him. He is certain to ask one or two, at least, to join the corporation, the most likely being Mr. John O'Driscoll of Southwark, and Mr. Paul Beasley, of Tower Hamlets. Bringing new life to dockland. Page 8

£ in New York

Feb. 1 Previous

Spot \$1.5700-\$1.5725 \$1.5700-\$1.5725

1 mth 0.75-0.70 dis 0.75-0.70 dis

3 mth 1.00-1.00 dis 1.00-1.00 dis

12 mth 4.50-4.00 dis 4.10-3.95 dis

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## OVERSEAS NEWS

## Lebanon bid to keep Syrians

BY ANTHONY McDermott

TWO SENIOR Lebanese politicians, Dr. Selim Hoss, the Prime Minister, and Mr. Sulayman Frangieh, a former President, held talks in Damascus yesterday with Mr. Hafez Assad, the Syrian President, to persuade him at least to delay his abrupt decision to redeploy Syrian troops of the peace-keeping force in Lebanon. Their departure would create a serious power vacuum in Beirut and its suburbs.

Dr. Hoss was reported to be asking Mr. Assad to delay the redeployment until the fledgling Lebanese Army could take over. Dr. Hoss's visit to the Syrian capital was based on an emergency meeting with President Elias Sarkis of Lebanon after learning that the Syrian Government had served notice that Syrian troops in the Beirut area would be pulled out within 36 hours. Syria has some 24,000 troops in Lebanon, in what was once an Arab League peace-keeping force. However, the other Arab contingents withdrew some time ago, leaving only Syrian forces and units of the Damascus-based Palestine Liberation Army (under Syrian command) in the "deterrent force".

## Iran President may face confidence vote

BY SIMON HENDERSON IN TEHRAN

IRAN'S NEW President, Mr. Abolhasan Bani-Sadr, assumed office yesterday apparently without resolving political differences with other members of the ruling Revolutionary Council.

After a meeting of the council on Sunday night, it was expected that Mr. Bani-Sadr, the French-educated Finance Minister, would not be sworn in as President by Ayatollah Khomeini, but simply recognised.

Mr. Bani-Sadr was due to see Iran's religious leader yesterday at the hospital in Tehran where the Ayatollah is being treated for a heart condition. Several other members of the 14-man Revolutionary Council are believed to be insisting that Mr. Bani-Sadr must receive a vote of confidence from a

force—about 6,000 men—are posted in Beirut and its suburbs. The Syrian Government apparently wants to pull these forces back to join other Syrian contingents in the Bekaa Valley, in eastern Lebanon and closer to Syria.

The crucial point is that an important part of the Beirut-based troops were stationed on the 5 km "Green Line" dividing the Moslem and Christian sectors of the capital. Mr. Frangieh is a chief representative of the Christians. The Syrians sent troops into Lebanon in the middle of 1976 to intervene in fighting between these two factions. The Palestinians have been supporting the Moslem left wing factions. But it has been a debilitating experience for several reasons.

First, it has been a severe drain on the morale and efficiency of the armed forces. Second, it has been extremely costly, perhaps as much as \$1m a day. Third, it has always contained the risk that Syrian forces might be drawn into a direct conflict with Israel. Indeed, on two occasions several Syrian fighters have been shot down.

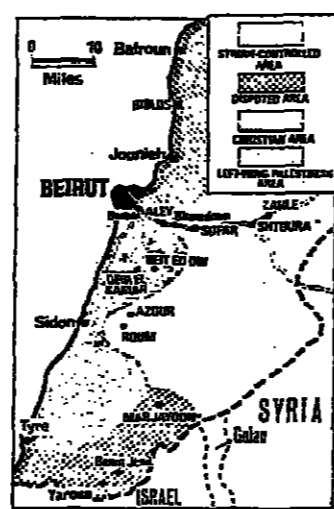
Syria's decision to withdraw its troops also reflects its sense

of isolation in the Arab world as one of the few Islamic countries to have endorsed the Soviet invasion of Afghanistan. It reflects too its inability to muster an alternative and co-ordinated policy to oppose the Egypt-Israel negotiations stemming from the Camp David agreements, and a realisation of its vulnerability to a serious clash with Israel.

Hanan Hijiabi adds from Beirut: A delegation from the left-wing Moslem alliance, known as the "National Movement", was also in Damascus. The movement comprises 13 factions and militias which may take over positions in the predominantly Moslem West Beirut which the Syrians will give up. The movement and Palestinian guerrillas were in control of Lebanon's predominantly Moslem regions during the civil war, was reported to have made it clear it has no intention of getting caught again in Lebanese rivalry.

In the end, the Syrian move should be seen more as a sign of gradual disengagement from the Lebanese crisis, although not from Lebanon altogether. The redeployment may be primarily aimed at Israel and at helping the Palestinians and their Lebanese left-wing allies.

The Palestine Liberation Organisation, whose forces helped the Moslems during the



civil war, was reported to have made it clear it has no intention of getting caught again in Lebanese rivalry.

## Egypt to pay interest on \$2bn Arab funds

BY OUR CAIRO CORRESPONDENT

TO SPARE THE International Monetary Fund potential embarrassment Egypt has agreed to pay interest on some \$2bn (\$882m) of funds deposited by Kuwait, Saudi Arabia, Libya and Iraq in Egypt's central bank.

Egypt stopped paying interest on these deposits after the Baghdad Summit imposed sanctions on it for signing the peace treaty with Israel.

The controversy over the deposits surfaced last October when Iraq made a formal request to the IMF for the return of \$31.7m deposited with the Egyptian central bank.

Egypt invoked "special interest" to preempt moves by Kuwait and Saudi Arabia to press claims for the return of their deposits, amounting to \$837m and \$837m respectively.

In fact, the only deposits at issue were those of Kuwait, which are rolled over monthly. Saudi Arabia had undertaken not to start withdrawals until 1981. But subsequent reports said Kuwait and Saudi Arabia had made requests for the return of their deposits.

Apparently no formal request to the IMF had been made by Kuwait or Saudi Arabia, but the Egyptian authorities fear a campaign by Arab critics of President Sadat to question Egypt's creditworthiness.

The Egyptian authorities claim that the IMF's arbitrating capacity extends only as far as seeing interest payments are honoured, and therefore, repayment of the principal is outside its terms of reference.

## Baluchis bitter at army occupation

By David Housego, recently in Quetta, Baluchistan

IN BALUCHISTAN, the vast and barren province of Pakistan which borders the Arabian Sea, there is little sign that Russia's invasion of neighbouring Afghanistan is seen as a threat.

Instead, a reporter's notebook is rapidly filled with the rhetoric of a people who feel bitter at having been cheated of self-government by successive Pakistani regimes, and who are now tempted to see in the Russians potential allies for their cause.

"Whenever I land in Quetta I have the sense of entering a city under army occupation," says a respected local leader. He lists a host of Baluch grievances: a province of only 2m to 3m gararrisoned by a largely Punjabi army; a state administration in which Baluchis hold only a handful of senior posts; mineral wealth which has allegedly been neglected or is tapped to the advantage of the rest of the country's 75m population.

What would be the reaction if the Russians were to descend on the province? "We would welcome them of course," says a senior tribal "sardar" (leader), with breathtaking abandon. His companion goes one further: "We would ask them why they did not come earlier."

A left-wing politician trots out the familiar Russian defence of the invasion of Afghanistan, claiming the Russians were invited.

"The revolution of Noor Mohammad Taraki (who seized power in Afghanistan in April, 1978) must be defended at all costs," he says, "against those killers and mercenaries"—by whom he means the Afghan Moslem insurgents whom Gen. Zia-ul-Haq, Pakistan's leader, now refers to as "freedom fighters."

Much of this is wild talk. But it is still one of the ironies created in Pakistan by the Russian invasion that the province, strategically the most important because of its proximity to the Gulf, is also the most vulnerable, and the one where Gen. Zia's appeal for national unity in defence of the Islamic state falls on deafest ears.

The first concern of the Pakistani Baluchis is to achieve more autonomy to preserve their cultural identity—a goal they share with the Baluchis of Iran and Afghanistan.

As the Russians have already trained and armed some hundreds of Baluchis from all three states, Western diplomats have no doubt that they will embark on a subversion campaign to exploit Baluch discontent to the discomfort of Pakistan.

In this test of wills, the anxiety of many Baluchis is that the military equipment for which Pakistan was negotiating this weekend with Dr. Zbigniew Brzezinski, President Jimmy Carter's national security adviser, will eventually be turned on them.

With the voluntary exile of the more radical of the Baluch tribal leaders—Khair Baksh Murri and Sardar Attaullah Mengel—and the breakup of the National Awami Party, which once represented the aspirations of the Baluchis and Pathans for more self-government.

The championing of Baluch interests has increasingly fallen on Ghaus Baksh Bizenjo and his newly created Pakistan National Party.

An advocate of compromise, who has served prison terms for provoking Baluch autonomy and been governor of the province as well, Mr. Bizenjo claims he is loyal to Pakistan and rejects armed violence to achieve Baluch goals.

Recently, the regime has taken steps to try and win over the Baluchis with more economic assistance and 300 more jobs for unemployed graduates. Such economic help is likely to accelerate.

But such programmes have only limited impact while Baluchis feel as one leader puts it, that the military regime "wants to crush us with the stunt of an Islamic state and of Moslems being one people." Even as conservative a tribal leader as Taimur Shah, head of the large Pathan Kakar tribe, and a supporter of General Zia, has appealed to him for more local participation and self-government for Baluchistan, otherwise "the Russians will exploit the young students."

On the other hand, unlike the neighbouring province of Sind, where the Government has not hesitated to imprison protagonists of Sindhi nationalism, it has so far studiously avoided arresting well-known nationalists in Baluchistan for fear of provoking a clash. But Baluch politicians see recent warnings by Gen. Zia and those close to him against "Left-wingers" and those promoting the "nationalist" as being directed at them.

## Pakistan seeks \$1bn from West and Moslem world

BY DAVID HOUSEGO IN ISLAMABAD

PAKISTAN will be seeking about \$1bn (\$444.8m) in economic aid for fiscal 1980/81 from Western donor nations and the Moslem world, officials disclosed in Islamabad yesterday. This disclosure follows postponement of the U.S. aid package for Pakistan which was to have been put to Congress this week, after talks in Islamabad over the weekend between a U.S. delegation led by Dr. Zbigniew Brzezinski, and a Pakistani team headed by Gen. Zia-ul-Haq. Gen. Zia recently dismissed the U.S. offer of \$400m (£177m) aid as "paltry."

The calculation of \$1bn is based on Pakistan's expected current account deficit, and amortisation payments, of \$1.8bn, of which \$800,000 would be covered by aid in the pipeline or SDR drawings.

Of the remaining \$1bn, Pakistan would hope to obtain \$230m from debt rescheduling mainly from the U.S. Germany and Japan.

It will be seeking the balance

from members of a Western aid consortium or friendly Islamic states in the form of balance-of-payments support that would avoid the need for further expensive short-term borrowing to cover the balance-of-payments deficit.

Consortium members could be expected to pledge about \$700m, but this would normally be as project aid and a sharp tussle is likely to result over Pakistan's request that it be rapidly available for balance-of-payments support.

Meanwhile, Mr. R. D. Sathar, India's Foreign Secretary, arrived in Islamabad last night in the wake of the U.S.-Pakistan agreement to work for an extended multilateral programme to strengthen Pakistan's defence capability. Many Pakistanis had unrealistically hoped it would embrace U.S. protection against attack from India.

Little of substance is expected from his mission, after the sharply differing views

expressed by Gen. Zia and Mrs. Gandhi over Russia's invasion of Afghanistan.

Gen. Zia has rejected Mrs. Gandhi's proposals for a regional approach to security and is instead looking first to support from the U.S. and its partners, China and the Moslem world.

India is less nervous about the actual volume of arms to be supplied to Pakistan—Dr. Brzezinski went out of his way on Sunday to try to allay an Indian fear—than about the unpredictability of the martial law regime in Pakistan, and about the long-term implications of Pakistan's closer relationship with China and the Moslem world.

Gen. Zia's recent reference at the Islamic Conference here to the liberation of Kashmir also provoked indignation in Delhi. But both sides are apprehensive about the growth of power rivalry on the Subcontinent as a result of the Russian intervention.

## Negative Indian growth forecast

BY K. K. SHARMA IN NEW DELHI

A NEGATIVE growth rate of 3 to 4 per cent in the 1979-80 financial year ending in March has been forecast by India's National Council of Applied Economic Research.

The last time there was negative growth was in 1973-74, when it went down by 1.1 per cent compared with the previous year.

The Planning Commission laid down an annual average growth rate target of 4.7 per cent in the current five-year plan.

The council, in its latest report, says a phase of near stagnation has set in, and there are no visible signs of recovery. Agricultural production is expected to fall by about 7 per cent compared with the previous year (mainly because of last summer's drought).

The council's report says industrial production which stagnated in October to December, shows no sign of improvement. The stagnation is due to shortages of coal and steel, inadequate power, inefficient transport, deteriorating industrial relations and political instability.

Aggravating this bleak picture is inflation, officially estimated at 21 per cent in 1979. The council's report suggests that while measures to check expansion in the money supply will continue to have only a limited impact on prices, selective measures are needed to stop price increases for such commodities as cereals, oilseeds, edible oils and sugar.

These measures would require efficient and timely use of foreign exchange to import raw materials and commodities in short supply. Efficient public distribution should be developed to ensure commodities are available at reasonable prices.

Nevertheless, the report points with alarm to the growing trade deficit, and says it was not being viewed with sufficient concern because of the steady inflow of about \$30bn (£1.65bn) a year in remittances from Indians abroad. Now that the trade gap is widening, the council suggests that the liberalised import policy followed since 1977 should be reviewed.

The independent assessment has been unofficially confirmed by government economists, but is unlikely to be documented until March or April, since there are indications that the budget will be postponed.

## Notice of Redemption

To the Holders of

## KINGDOM OF DENMARK

9% Twelve Year External Loan Bonds of 1970 due March 1, 1982

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Bonds of the above-described issue, Morgan Guaranty Trust Company of New York, Inc. has selected through operation of the Sinking Fund for redemption on March 1, 1980 at the principal amount thereof together with accrued interest to the date fixed for redemption \$1,750,000 principal amount of said Bonds bearing the following serial numbers:

OUTSTANDING COUPON BONDS OF \$1,000 EACH OF PREFIX "M" BEARING NUMBERS ENDING IN ANY OF THE FOLLOWING TWO DIGITS:

03 07 12 15 25 42 44 51 52 56 57 63 66 73 74 77 82 96

ALSO OUTSTANDING COUPON BONDS OF \$1,000 EACH OF PREFIX "M" BEARING THE FOLLOWING NUMBERS:

1 3 880 2580 3480 4580 6380 7180 8580 10480 11280 13080 15080 16580 17980 19080  
280 1880 2780 3680 5080 6080 7280 8080 10280 11080 12880 14880 16080 18180 19280  
320 1280 2180 4480 6280 6880 8280 9080 11080 12080 13880 15880 16880 18780 19380

On March 1, 1980, the Bonds designated above will become due and payable at the redemption price specified in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, and will be paid, upon presentation and surrender thereof in a negotiable form with all coupons appearing thereon maturing after the redemption date, at the option of the holder either: (a) at the Corporate Trust Department of Morgan Guaranty Trust Company of New York, 60 West Broadway, New York, N.Y. 10015, or (b) subject to applicable laws and regulations, at the main office of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt/Main, London, or Paris or at the main office of Privatbanken A/S, Den Danske Landmandsbank, Kjøbenhavns Handelsbank or R. Henriques Jr. in Copenhagen. Payments at the offices referred to in (b) above will be made by a check drawn on, or by a transfer in, a United States dollar account maintained with a bank in New York City. Coupons due March 1, 1980 should be detached and collected in the usual manner.

From and after March 1, 1980 interest shall cease to accrue on the Bonds herein designated for redemption.

Ministry of Finance of the Kingdom of Denmark  
by: Morgan Guaranty Trust Company  
OF NEW YORK, Fiscal Agent

January 29, 1980

## NOTICE

The following Bonds previously called for redemption have not as yet been presented for payment:

COUPON BONDS OF \$1,000 EACH  
M 236 1319 1613 2013 2694 3095 4237 5804 7038 8402 8890 11105 12127 13227 14796 15821  
618 1236 1637 2213 2690 3095 4340 5890 7077 8433 8890 11113 12276 13721 14896 15822  
906 1237 1654 2260 2691 3780 4237 5871 7017 8017 8433 11117 12102 13706 14817 15847  
919 1334 1691 2331 2694 3781 4237 5876 7037 8019 10337 11191 12306 13891 15049 15849  
931 1370 1704 2376 3019 3618 4237 5876 7038 8019 10337 11204 12406 13821 15081 15876  
1002 1402 1705 2411 3070 3621 4237 5876 7038 8140 10482 11212 12521 13823 15083 15881  
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European American Bancorp  
Consolidated 1979 Results

	1979	1978	% Increase
Income After Taxes	\$21,011,000	\$14,138,000	+48.6

Selected Balance Sheet Totals (in billions)

	As of December 31	
	1979	1978
Total Assets	\$7.766	\$6.956
Loans-Net	4.370	3.700
Deposits & Due to Customers	6.370	5.930
		+ 7.4

## EAB

European American Bank

10 Hanover Square, New York, N.Y. 10015

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President  
The Babcock & Wilcox Company

## Consolidated Statement of Condition, December 31, 1979

<b>ASSETS</b>	
Cash and Due from Banks	\$ 9,400,408,000
Interest Bearing Deposits with Banks	4,631,848,000
Federal Funds Sold and Securities Purchased under Agreements to Resell	843,500,000
Investment Securities (Market Value \$2,458,459,000)	2,552,763,000
Trading Account Securities (Market Value \$172,148,000)	172,090,000
Loans	25,474,780,000
Lease Financing Receivables	1,807,041,000
Total Loans (Net of Unearned Discount of \$608,909,000)	27,281,801,000
Less: Reserve for Possible Loan Losses	(243,945,000)
Net Loans	27,037,856,000
Premises and Equipment	197,254,000
Customers' Liability on Acceptances	1,797,773,000
Accrued Interest Receivable	587,370,000
Other Assets	454,584,000
Total	\$47,675,446,000
<b>LIABILITIES</b>	
Demand Deposits	\$13,984,026,000
Savings Deposits	1,380,892,000
Other Time Deposits	5,382,480,000
Deposits in Foreign Offices	17,408,680,000
Total Deposits	38,156,078,000
Federal Funds Purchased and Securities Sold under Agreements to Repurchase	1,826,922,000
Short-Term Borrowings	2,219,514,000
Acceptances	1,815,285,000
Accrued Taxes and Other Expenses	928,940,000
Other Liabilities	522,827,000
Long-Term Debt	850,948,000
Total Liabilities	46,120,494,000
<b>SHAREHOLDERS' EQUITY</b>	
Common Stock (par value \$7.50)	
Authorized—40,000,000 shares	
Outstanding—39,243,258 shares	249,324,000
Surplus	440,227,000
Undivided Profits	865,401,000
Total Shareholders' Equity	1,554,952,000
Total	\$47,675,446,000

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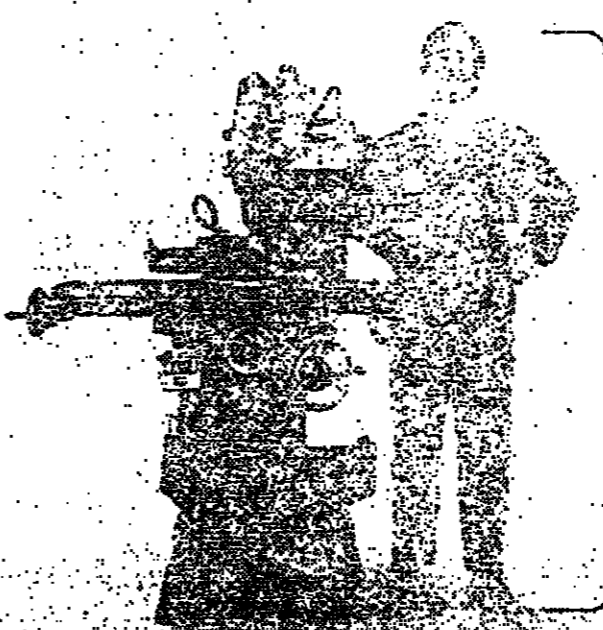
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# ARE YOU EXPECTING ANOTHER GIANT HEATING BILL THIS WINTER?



IN A FACTORY WITH A ROOF HEIGHT OF 40' YOU COULD BE PROVIDING ENOUGH HEAT FOR 30' WORKERS ALL WITH VERY HOT HEADS AND VERY COLD FEET.



WHEN YOU SHOULD ONLY BE HEATING A 6' TALL WORKER COMFORTABLE FROM TOP TO TAIL.

Your bill could be huge. Since last winter, oil has increased in price by over 40%, and in the next six months, you'll certainly be paying even more. What can be done to cut your bill down to size? The fact is, a lot of factory heating is literally going through the roof. In our surveys, we very often find that industrial roofs are peppered with non-controllable ventilators, gaps under the glazing, and at the eaves. All of which drain off expensively heated air as surely as leaving the plug out of your bath. Even if your workforce were 30' tall, they'd be very uncomfortable in the kind of temperature gradients we frequently come across. (Often into the 80'sF in the roof space of factories and warehouses, causing high structural heat losses.)

A Colt Wastemaster survey could bring down your heating costs dramatically. We'll look at everything—doors, vents, cracks, the kind of machinery you use, the number of people you employ, how high your roofs are, the type of fuel you use. Then, we'll design for you a Colt warm air system that minimises heat loss, and heats only what you want to heat—the people who work for you. The capital cost of such a system is around half that of a boiler system, while operating costs too are dramatically lower. Just now, we're helping hundreds of companies to cut back on their heating costs. Why not join them? And you'll never need to face a monster heating bill again. Colt International Ltd (Health and Safety at Work), Havant, Hants PO9 2LY. Tel: (0705) 451111. Telex: 86219.

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## AMERICAN NEWS

## Carter support growing as Kennedy trails Republicans

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

TWO MAJOR public opinion polls released yesterday show that national support for President Jimmy Carter's foreign policy has intensified, not weakened, in recent weeks and has now made him a strong favourite to win re-election for a second term in the White House.

They also demonstrate that Mr. George Bush has made big inroads into the once equally strong lead among Republicans enjoyed by Mr. Ronald Reagan and now matches up as perhaps the most effective Republican candidate in a head-to-head race against Mr. Carter.

Mr. Carter is, as this winter's experience demonstrates, notoriously fallible instruments, but the publication of the latest two, conducted for the Washington Post and Time magazine, must make a difference in the support of Senator Edward Kennedy from Massachusetts, who is seeking to inject new life into his campaign prior to the New England series of caucuses and primaries over the next month. In the Post's canvass, Mr.

Carter leads his rivals from both sides, topping Mr. Kennedy by 58 to 25 per cent. Mr. Reagan by 55 to 30, Mr. Bush by 59 to 33, Senator Howard Baker by 63 to 30 and Mr. John Connally by 73 to 21. Mr. Kennedy trails all the Republicans except Mr. Connally.

The Time poll gives Mr. Carter a 55-point lead over Mr. Kennedy, 21 over Mr. Bush, 32 over Mr. Reagan and 35 over Mr. Baker. Senator Kennedy trails the three Republicans, his deficit ranging from three points against Mr. Reagan to 20 points against Mr. Bush.

On the Democratic side, Mr. Carter is given a 22 point lead over Mr. Kennedy in New England and apparently enjoys substantial advantages in two of the Senator's natural constituencies (Catholics and blacks), according to the Time poll.

Both surveys show broad public support for the President's specific policy proposals in response to events in Iran and Afghanistan, such as partial grain sales embargoes, boycotting the Olympics and renew-

ing registration for the military draft. The Time poll finds that more than two-thirds of those surveyed believe it best for presidential candidates to desist from dissecting the President's foreign policy and rally round him instead.

Mr. Bush can glean much satisfaction from the two polls. He incurred a minor setback over the weekend in picking up one of a dozen convention delegates elected in caucuses in Arkansas (Mr. Reagan won six and Mr. Baker four, with the twelfth committed to no candidate) but has high hopes in New England where, according to the Time poll, he leads Mr. Reagan by 65 to 24 per cent.

Overall, Mr. Reagan still commands the allegiance of more Republicans: the Post poll gives him 36 per cent to Mr. Bush's 26 per cent, Mr. Baker's 11 per cent and Mr. Connally's 5 per cent, while the Time survey gives Mr. Reagan a 41 to 34 per cent edge over Mr. Bush. But if independents are included, Time found, Mr. Bush, perceived as a moderate though in reality conservative, has a four point advantage.

## Trudeau's election lead narrows

BY VICTOR MACKIE IN OTTAWA

A POLL commissioned by the CTV television network in Canada shows the Liberal lead over the governing Conservatives narrowing two weeks ahead of the election on February 18. The number of undecided voters has increased to 40.4 per cent of the electorate.

Among decided voters, support for the Liberal Party, led by former Prime Minister, Mr. Pierre Trudeau, dropped to 46 per cent from 51 per cent in two weeks while support for the Conservatives rose to 33 per cent from 31 per cent.

Support for the New Democratic Party rose to 17 per cent from 16 per cent and support for other parties increased to 4 per cent from 2 per cent.

The network's national poll surveyed 2,009 voters last week when the Conservatives were receiving favourable publicity for the Government's role in helping six U.S. diplomats escape from Iran. However the large number of undecided voters makes it virtually impossible to use the poll to predict the results of the election.

In metropolitan Toronto, the Liberal lead has been halved since the rescue of the Americans by Canadian diplomats in Tehran, according to a Gallup survey made public at the weekend.

The Gallup poll gave the Liberals 36 per cent, Progressive Conservatives 23 per cent and

the NDP 18 per cent, with 15 per cent undecided.

Gallup figures for Toronto, produced on January 19—before the American escape—gave the Liberals 52 per cent, Conservatives 21 per cent and the NDP 17 per cent, with 5 per cent undecided.

Canada is to expel another Soviet diplomat in retaliation for the expulsion of a Canadian military attaché from the Soviet Union last week, Miss Flora MacDonald, External Affairs Minister, said yesterday.

The Soviet Union announced last week the expulsion of Col. Harold Gold, Canadian Defence and Air Attaché in Moscow, accusing him of spying.

Individual Senators or Congressmen can introduce private immigration bills into the U.S. legislature to accomplish such an end. FBI agents on Sunday arrested an immigration service inspector in New York, the only wish action taken so far.

Those so far named have mostly denied the allegations that they accepted money, though some have admitted that approaches were made. Two issues immediately arise if the allegations come to trial. One is of unfair pre-trial publicity.

The other is whether the FBI "entrapped" the politicians, who might argue that it was the agency that created the case. Entrapment is a complex legal defence, much argued over in the courts, but to use it as a defence also usually involves a clear admission of guilt from the defendant. In the case of a Congressman, he is then answerable to his constituency, or indeed to the Internal Revenue Service, if he fails to declare the money on his returns.

Non-participation is a formula devised by the Chinese to express distaste for a particular resolution without casting a veto.

The changes introduced to the resolution—one of which was to delete references to the Patriotic Front as the sole legitimate representative of the Rhodesian people—decided Britain to let the resolution through, although British officials said it could hardly be less helpful to their efforts in Rhodesia.

It also sought the "speedy and unimpeded return of Zimbabwe exiles and refugees," the release of all political prisoners and the confinement forthwith of the Rhodesian and auxiliary forces to their bases.

Britain chose not to participate in the voting rather than using its power of veto. Non-participation is a formula devised by the Chinese to express distaste for a particular resolution without casting a veto.

The British argued that the U.S. had been instrumental in turning down a strongly worded draft resolution prepared following a recent meeting of the Organisation of African Unity.

Mr. Donald McHenry, the U.S. representative, also said after the vote that the U.S. did not accept charges of British violations of the Lancaster House agreement.

The resolution, passed 14-0, expressed concern at the

## Swift reaction to FBI 'Arab' payments

By David Buchan in Washington

THE BREAKING of a political corruption scandal involving one U.S. Senator and several Congressmen and undercover FBI agents offering payments on behalf of mythical Arab businessmen has set Washington agog and brought swift reaction yesterday from Congress and the Administration.

The House of Representatives Ethics Committee will set up its own investigation, Mr. Charles Bonior, chairman, said yesterday. A partisan political note was injected by Republican leaders, claiming that 25 years of Democratic control had led to a climate of corruption in the Congress and demanding a full probe of the scandal.

Only one person has so far been named in the allegations which splashed into U.S. newspapers on Sunday.

Meanwhile, the Justice Department yesterday announced "an intensive investigation" into whether Federal employees, at the Department or the Federal Bureau of Investigation, leaked details of the two-year-old undercover operation to the Press.

Nevertheless, according to some reports, Federal Grand Juries will shortly be convened in several cities. In addition to the several Congressmen named in the allegations—which have not been denied in substance by Government officials—state officials from Pennsylvania, New Jersey, New York and Florida have been implicated.

The undercover operation was apparently begun by the FBI in 1978 with the limited aim of recovering some stolen art works and Government securities. But it was subsequently widened to encompass politicians susceptible to providing favours and legislative help in return for money.

The most widely used use by the FBI undercover agents was to pose as working for Arab businessmen, including one with a company called Abdul Enterprises Limited, who among other things wanted U.S. citizenship or residence for their "clients."

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150,000, killing dozens and injuring scores in El Salvador.

The present situation in the country is rooted many decades ago in the establishment of a prosperous coffee industry. From it a few families made a great deal of money and began buying up large tracts of land which hitherto had been tilled in a more or less primitive way by the peasantry.

In the 1920s and the early 1930s rural agitation was widespread. But in 1932 General Maximiliano Martinez put a stop to agitation in El Salvador with his massacre of 20,000 opponents.

Since his day every government has been headed by a military man and the division between the rich minority and the mass of the population has widened.

In the 1970s the military and more conservative elements in El Salvador had to make increasing use of political terror and ballot rigging if they were to contain the pent-up frustration. Until the arrival of President Carter, Salvadoran governments could count on the support, or at least the silence, of the U.S. government.

The speed of events in Nicaragua last year, however, jolted not only the Salvadoreans but also the U.S. Fearing a new contagion of Left-wing ideas from Nicaragua, many richer Salvadoreans rallied closer round the idea of repression at any cost.

The centre and the Left, tired of more than a decade of electoral fraud, started agitating against the rule of Gen. Carlos Humberto Romero, whose vic-



last year. According to other authorities, GNP actually fell 3.5 per cent. Tax receipts and work stoppages contributed to the closing of a score of factories last year and many of the foreign business community have fled.

Britain is closing its embassy and El Salvador has lost an estimated \$10m in capital taken out of the country. Now comes the threat of coffee disease, hitting the main export, which last season paid for more than half the import bill of around \$1bn.

The extremists, however, have little regard for the economic consequences of their violent confrontation. With the denuded government coalition incapable of imposing calm, even the optimists will admit that things are likely to get worse in El Salvador before they get better.

## WORLD TRADE NEWS

## Pact to boost Soviet-Afghan trade

BY DAVID SATTER IN MOSCOW

THE SOVIET UNION has signed a trade agreement with Afghanistan for 1980 which will boost Afghanistan into one of the Soviet Union's largest trading partners in the Third World.

The Soviet news agency Tass reported that the Soviet Union and Afghanistan will increase their trade by 70 per cent, which should raise its value to about 500m (\$571m). Soviet-Afghan trade for the first nine months of last year had a value of 233.3m and was expected to top

Roubles 310m for the year, with the Soviet Union exporting almost twice as much to Afghanistan as it buys. Soviet exports in 1980 are to include industrial equipment, motor vehicles, ferrous metals, oil and oil products, cement, fertilizers and household goods. The Soviet Union will import natural gas, which accounted for almost half of Afghan sales to the Soviet Union in 1978, cotton, dried fruits, wool, carpets and hides. The Soviet Union has been a major donor of aid to Afghanistan for the last 25 years, but Soviet economic involvement in the country increased greatly after the April, 1978 Marxist coup. Trade turnover apparently increased 44 per cent in 1979 year setting the stage for the even greater expansion envisaged for this year.

Besides India and Iraq, which are the Soviet Union's largest Third World trading partners, the Soviet Union's other principal trading partners in the Third World are Vietnam, Mongolia and Libya.

Yugoslavia will export more than 11m pairs of shoes to the Soviet Union this year, worth about 5,000m (\$110.5m), according to the State news agency, Tass. AP-JD reports from Belgrade.

Several hundred thousand pairs of footwear have been earmarked from Moscow department stores alone, the report added. Tass was quoting sources of the federal Chamber of Economy here following a meeting of Yugoslavia's shoe manufacturers.

## EEC to tackle Turkish problems

BY JOHN WYLES IN BRUSSELS

EEC FOREIGN Ministers will today be confronted with the need to breathe new life into a flagging relationship with a strategically important ally—Turkey. On the same day, a meeting of the Community's Foreign Ministers' Council will be presented with a report on EEC negotiations with Yugoslavia.

The Ministers will sit at the first formal meeting of the EEC-Turkey Association Council for nearly three years. This follows an initiative launched at the end of last year by the Government of Mr. Suleyman Demirel, to revive political and trading links with the Community as a cornerstone of its

foreign and economic policy. A formal Turkish request for EEC membership cannot be ruled out, but the Nine regard this as a longer-term prospect and prefer to consider starting negotiations on the mutual reduction of tariff barriers. On Yugoslavia, there is disappointment over the failure to conclude a new trade and political co-operation agreement by early this week, but the prospects of an accord within a month still look promising.

EEC Ministers expressed their eagerness for a swift agreement early last month, under the stress of the Soviet invasion of Afghanistan and President Tito's illness. But

their fervour has caused Yugoslavia some embarrassment since intermittent discussions have been under way for two years and the Yugoslavs do not want to give any appearance of sacrificing their non-aligned status and leaping into the Western camp because of current troubles.

At today's meeting, the European Commission will again take up the issue of advanced guaranteed export rebates for the Community's surplus beef production to allow member governments time to decide whether to set up a control system which could prevent excessive quantities going to the Soviet Union.



In 1979 the Community sold 40,000 tonnes of beef to the Soviet Union

## Go-ahead near on Iran project

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

AGREEMENT "in principle" to resume work on the Y700bn (\$1.8bn) Iranian petrochemical project sponsored by the Mitsui group has been reached as a result of a meeting between Mr. Eimai Yamashita, Mitsui's senior managing director, and Iranian officials in Tehran.

Work on the project, which is already 85 per cent complete, cannot be restarted, however, until a number of legal and financial issues have been settled. One obstacle is the existence of a wide gap between Iran and Japan on the

terms of construction contracts which are being renegotiated to take account of price increases during the suspension period. Disagreement also exists over the number of Japanese technicians who will be allowed to work on the project and on whether the Japanese employees will pay insurance premiums in Iran or Japan.

Iran wishes to restrict the number of Japanese workers and to increase local Iranian participation in the final stages of the work. Mitsui has said that it hopes that work can get under way

again by the spring, but this is entirely dependent on the progress of negotiations on detailed issues. What appears certain is that both sides are genuinely anxious to complete the project.

Meanwhile, Iran is to call an international tender for the construction of a 2,000-megawatt power station in Teheran. Power Minister Hassan Abbaspour announced. He also said that a contract to complete a power station at the southern port of Bandar Abbas would be given to another company if the original contractor refused to finish the project.

## Mozambique signs accord with Italians

ROME — Mozambique has reached agreement with Italy on the African socialist nation's first comprehensive economic pact with a Western nation.

The accord foresees that Italy will enjoy preferential treatment in obtaining access to Mozambique's coal, uranium, petroleum and natural gas resources, said a Government announcement.

In return Italy will extend the African country an aid grant of L10bn (\$5.5m) and a credit line of L20bn (\$9.5m). Italian companies will also carry out several projects in the country, including construction of an electrical network, telephone systems and a textile plant.

Sig. Siro Lombardini, the Industry Minister, plans to visit Mozambique next month to discuss a contract to obtain between 2m and 3m tons of coal.

Salpema, the engineering subsidiary of Italy's state energy group Ente Nazionale Idroelettrico (ENEL), has won a contract against international competition to build an oil refinery in Libya.

Value of the contract is more than \$35m. The refinery will have annual capacity of 10m tons and is to be completed within 18 months. AP-DJ

## Dorsch in Hijaz railway study

BY RAMI G. KHOURI IN AMMAN

DORSCH CONSULT, the Munich-based consultants, have beaten two American-led consortia to win the \$4.7m contract for technical and economic feasibility studies for reconstructing the 700-mile long Hijaz railway, linking Damascus in Syria with Medina in Saudi Arabia.

The contract, to be completed within 10 months, was signed here with the Higher Committee for the Reconstruction of the Hijaz Railway, a tripartite ministerial committee including Syria, Jordan and Saudi Arabia.

Dorsch's study will determine the optimum configuration for rebuilding the single-track, narrow-gauge railway that was

built by the Ottoman Sultan Abdul Hamid between 1900-1903.

Mr. Hashem Taher, Jordan's Transport Under Secretary, said that plans are to rebuild the line in standard gauge track, though the feasibility study will determine whether this will be in single or double track configuration. The rebuilding which would be completed in the late 1980s would create a standard gauge rail link stretching from northern and western Europe to the heart of the Arabian peninsula.

Quantin Peel in Jordan

South African Railways has awarded a contract for 25 electric locomotives, valued at R25m (\$13.6m) to the European 50 cycle consortium, it was announced at the weekend.

Siemens, the South African representative of the consortium, which includes AEG Telefunken and Brown Boveri of West Germany, Alsthom of France and Belgium's ACEC, said some 40 per cent of the value of the contract — primarily the mechanical portion — would be locally manufactured.

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## Bank of Tokyo, Eximbank to open Peking offices

TOKYO—The Export-Import Bank of Japan and the Bank of Tokyo will open offices in Peking this year, becoming the first Japanese financial institutions in China.

Officials of the Bank of Tokyo said the Peking office will open later this month. Eximbank officials said its office is expected to go into business in April.

The Bank of China, China's foreign exchange bank, was scheduled to set up its office in Tokyo, probably in March.

Indonesia Nippon Oil, a Japanese investment concern, has signed a contract to supply a Y7bn (\$13m) loan to Pertamina, Indonesia's state-run oil company, to help increase its oil production in North Sumatra and Java.

The Japanese company, affiliated with the Japan National Oil Corporation, said that with the money, Pertamina will build new production wells in its oilfields at Kuala Simpang, North Sumatra, and at Cemeran Selatan, Java, to produce nearly 10m barrels over the next 10 years starting next March, it said.

Under the contract, the Japanese will in return get 40 per cent of the projected oil output at Indonesia's Government sales prices without surcharges imposed, it said.

The financing consisting of export credits would be \$95m backed by the Export Credits Guarantee Department, Coface and Hermes, and a \$35m Euroloan over 15 years with a spread of 1 per cent over Libor for the first 10 years and 1 for the last five.

## Olympic Airways finance for three Airbus A300s

FINANCIAL TIMES REPORTER

A \$120m (\$44m) credit package to enable Olympic Airways to purchase three A300 Airbus and spares was signed in London yesterday.

Midland Bank International, Credit Lyonnais and Deutsche Girozentrale are leading syndicates providing the finance from the UK, France and Germany, in line with national stakes in Airbus Industrie. Midland is the agent bank.

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Parliamentary approval is to be sought to extend for a further year from March 1980 the powers under which Britain ECGD operates its cost escalation scheme for export contracts. The scheme applies to export contracts worth £2m or more with a manufacturing period of two years or more. Since the introduction of the scheme in 1975, 17 guarantees have been issued for exports with a total contract value of \$520m. A further 10 cases involving contracts worth some \$458m are in active negotiation.

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Pakistan International Airlines has ordered a 747-200B combi jet from Boeing to be delivered in March. Reuters reports from Seattle.

## BOTB EXPORT CAMPAIGN

## Failure to stimulate shop floor

BY LORNE BARLING

EFFORTS BY the British Overseas Trade Board to make shop floor workers more aware of the importance of export orders have recently been countered on an advertising campaign in the popular Press. But the results have been disappointing.

The campaign has failed to stimulate significant new interest in the Board's Export United campaign which was a follow-up from the Export Year in 1977. A new strategy is now being tried in areas of the country where local support is already strong.

One of these areas is the East Midlands. Here two of the major industries, textiles and footwear, have suffered from soaring imports and there is also a need to improve export performance. But the biggest target is the engineering industry.

The area's regional committee is arranging a heavy programme of events—ranging from seminars to a dinner for industrialists and trade unionists

good and though other industries are less diverse it is hoped that this principle can be extended.

Mr. Brian Varley, director of exports for the BOTB in the area, also believes that companies must be urged to concentrate their efforts on markets with good potential, particularly those where political change creates opportunities. Such countries are Nigeria and Rhodesia.

"There is evidence that in Nigeria exporters could soon achieve the same level of business as they were doing before the problems of last year," he said, adding that the BOTB's Tropical Africa Advisory Group would be reporting to the East Midlands after a visit in February.

One of the most active participants in the area have been TI Raleigh, one of the world's largest bicycle manufacturers, whose director of sales and marketing, Mr. Kenneth Collins, is

chairman of the Regional Committee. He pointed out that his company's problems in Iran and Nigeria, last year, were made known in detail to the workers, particularly their effects on profits. He believed this was essential for good industrial relations.

According to the BOTB there is firm evidence that companies which introduce export information schemes, particularly in relation to large contracts, benefit from better co-operation on the shop floor.

But if Export United is to be effective, it is clear that more company managements must be persuaded to take part. It is hoped that committed and active exporters such as Mr. Collins can persuade them to do so.

With export markets proving difficult, and the prospect for domestic sales now looking increasingly flat there is every reason now for companies to improve their export competitiveness.

## Moderate government unable to contain increasing violence

## El Salvador approaches civil war

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

THE PESSIMISTS were probably right all along. El Salvador, the smallest and most overcrowded country in the Americas, is in all likelihood on the verge of a bitter, bloody and long drawn-out civil war which will make the revolution and overthrow of the Somoza dictatorship in Nicaragua last year seem like a clean and brief surgical operation.

Everything suggests that the 4.5m Salvadoreans will this year find themselves in the centre of a maelstrom in Central America, an area which the U.S. considers of no little strategic importance. The continuing conflagration in El Salvador could well spark off new troubles in the already violent and troubled Guatemala, and perhaps too in Honduras.

Put in its simplest and crudest terms El Salvador is now witnessing a determined attempt by moderate Left-wingers and extreme Left-wing groups to put an end to a social structure which has concentrated power in the country in the hands of a small oligarchy, the so-called "Fourteen Families."

The moderate Left-wingers have failed, at least for the moment, and the extreme Right and the far Left are now preparing for what they imagine will be the final showdown.

Just how bloody politics can become was illustrated in a massacre way last month when Right-wing forces—according to some sources, troops in civilian clothes—started firing indiscriminately into a Left-wing protest march, perhaps

150,000, killing dozens and injuring scores in El Salvador.

The present situation in the country is rooted many decades ago in the establishment of a prosperous coffee industry. From it a few families made a great deal of money and began buying up large tracts of land which hitherto had been tilled in a more or less primitive way by the peasantry.

In the 1920s and the early 1930s rural agitation was widespread. But in 1932 General Maximiliano Martinez put a stop to agitation in El Salvador with his massacre of 20,000 opponents.

Since his day every government has been headed by a military man and the division between the rich minority and the mass of the population has widened.

In the 1970s the military and more conservative elements in El Salvador had to make increasing use of political terror and ballot rigging if they were to contain the pent-up frustration. Until the arrival of President Carter, Salvadoran governments could count on the support, or at least the silence, of the U.S. government.

The speed of events in Nicaragua last year, however, jolted not only the Salvadoreans but also the U.S. Fearing a new contagion of Left-wing ideas from Nicaragua, many richer Salvadoreans rallied closer round the idea of repression at any cost.

The centre and the Left, tired of more than a decade of electoral fraud, started agitating against the rule of Gen. Carlos Humberto Romero, whose vic-

tory in the 1977 elections was certainly fraudulent.

As Gen. Somoza quit in July 1979 Washington abruptly joined the critics of Gen. Romero and on October 15 he was ousted in a coup led by two colonels, Jaime Abdul Gutiérrez and Arnoldo Morales. It is reasonable to suppose that the two would not have moved without at least the tacit approval of the U.S., where both of them had undergone periods of training.

Their manifesto was uncompromisingly reformist, and in the government they formed they co-opted social democrats of the Revolutionary National Movement (MNR) and members of the cautious Salvadorean Communist Party.

Despite their announced programme, the colonels were unwilling or unable to make any effective start on real reform and this month the social democrats and Communists resigned, leaving the military to limp on ineffectually with the Christian Democrats.

It seems now that the vacuum of power is being filled by the three tougher Marxist-Leninist parties, each of whom has its guerrilla wing. One of these kidnapped two British bankers in San Salvador in November 1978. Against them are ranged the Right-wing extremists who dismiss the colonels' reformist attitudes.

While the two sides fight it out in El Salvador the economy crumbles. The gross national product, which in 1977 grew at a rate of 5.2 per cent, was, according to some estimates, down to less than 2 per cent

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AND POWER STEERING ARE AVAILABLE AS OPTIONAL EXTRAS. \*PERFORMANCE FIGURES FROM "AUTOCAR" D.O.E. FUEL CONSUMPTION FIGURES FOR MANUAL SALOON (METRIC EQUIVALENTS IN BRACKETS) CONSTANT 55MPH: 36.7MPG (7.3L/100KM). CONSTANT 75MPH: 30.7MPG (9.2L/100KM). URBAN CYCLE: 24.1MPG (11.6L/100KM).  
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## UK NEWS

## Oil consultant hits at North Sea 'chaos'

BY RAY DAFTER, ENERGY EDITOR

THE "CHAOTIC" CHANGES in the North Sea policies of successive Governments were strongly attacked yesterday by a leading international oil consultant, Mr. Peter Gaffney, a senior partner in Gaffney, Cline and Associates.

The supplying industry was plagued by the swings in demands, he said.

North Sea exploration and development work was hampered by a shortage of drilling rigs. Owners of these rigs moved them to other parts of the world when drilling activity in UK waters declined significantly in 1978 and 1979.

According to a new set of statistics by Gaffney, Cline drilling at the end of last year was less than half that in the peak year of 1977, measured on an index basis. North Sea operators found it difficult to attract back many of the rigs which had been moved away, said Mr. Gaffney.

"We are faced with a chaotic

situation. The problem has not been lack of prospects—there are plenty of those—but it has been legislation that has been controlling the rate of activity. This is bad for those trying to build an industry serving those involved in offshore drilling."

He said the number of drilling rigs used in the U.S. swung from over 2,000 in peak periods to about 1,300 in slack periods.

"But at least, 1,300 rigs provide a reasonable base for industry. Our problem in the North Sea is that in slack periods drilling activity goes back to almost zero."

Mr. Gaffney was speaking on the launch of a series of UK oil activity indices covering exploration, discoveries, construction expenditures and development work.

The indices, to be published quarterly, trace the progress of North Sea activity since 1965. They have a common base date of 1977, the year when offshore operators were busiest.

The initial set of indices shows how drilling work has fallen in the past two years. At the end of last year the index of drilling activity was 47.8 against the 1977 average of 100. The exploration index was 94.9 at the end of 1979, the lowest level since early 1974. Offshore, are becoming harder to find. An analysis of drilling success rates shows one exploration well in 12 now finds oil or gas, against one in three or four in the mid-1970s.

The index of development, reflecting the size of reserves being exploited, shows that at the end of last year activity was slightly above the average 1977 level.

Level of expenditure has soared to an index of about 140. This reflects not only the significant amount of reserves being developed, but also rising production costs.

As fields become smaller and companies are forced into remote areas, the cost per barrel recovered rises.

## Report on Salem goes to DPP

BY JOHN MOORE

A PRELIMINARY report prepared by the Metropolitan Police and the City Police company fraud squad, which has been investigating the mysterious circumstances surrounding the sinking of the oil tanker Salem, has been passed to the office of the Director of Public Prosecutions.

The report, passed to the DPP yesterday, details the initial findings of the UK police into the loss of the Salem, a 213,928 dwt very large crude carrier, which was bound from Kuwait to France with a cargo of 180,132 tons of crude oil.

The 1969-built ship bought by the Oxford Shipping Company, registered in Liberia with an office in Texas, only a month before, sank off the West African coast on January 17 after a series of explosions.

A Tunisian member of the crew has stated that the bulk of the oil cargo was discharged at Durban after an unscheduled stop and replaced with sea-water so that the ship would appear fully loaded. He has alleged that the crew were given bonus payments and told to keep quiet.

Legal representatives for Lloyd's underwriters and London insurance company underwriters have taken evidence from the crew member, and are preparing a case to resist an \$18m claim on the hull insurance—a claim which will fall on the London insurance community.

Cargo underwriters are understood to have received papers relating to claims on the cargo insurance late on Friday afternoon from Shell, and Cypre and Co., lawyers acting on behalf of the cargo underwriters, are considering the position.

## Vets fear EEC 'liability' proposals

BY RICHARD MOONEY

ACCEPTANCE of current EEC proposals on product liability could cause "immense" problems for vets, the profession's weekly journal, *Veterinary Record*, warns in its current issue.

In a leading article the journal says the proposals would seem to make vets responsible for adverse reactions to products administered to animals, whether those reactions were known or not.

The proposals would impose strict and virtually unlimited liability, the article states. "Adverse reactions do happen with medical products," it says. "When they are known the client can be warned. But when a previously unknown reaction occurs, the veterinarian will be liable even though he could not have known the risks."

The article also notes the

record-keeping problems posed by the need to be able to identify the preparations given to particular animals. "How, for example, could one identify every bird in a flock of 20,000 chickens?" it asks.

There would also be difficulties with generic medicines where it might be impossible to pin down the source of a particular batch.

The British Veterinary Association, which publishes *Veterinary Record*, fears that the proposals, if accepted, could lead to an excessively defensive attitude in vets with resulting disadvantages for client and patient.

"As it is," the article states, "the consumer would be better off under existing conditions. The new proposals may be all very well for washing machines. Medicines require separate treatment."

## End-of-year spending less buoyant than hoped

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

Spending in the shops at the end of last year was much less buoyant than initially estimated—pointing to a general weakening in consumer confidence.

The volume of retail sales in December is now estimated at 124.4 (1971=100), according to the final seasonally adjusted index published yesterday by the Department of Trade.

This compares with a provisional estimate of 125.5 announced in mid-January and a revised November outcome of 123.6.

Weakening in consumer confidence is suggested by a sharp fall in new credit extended by finance houses, other specialist consumer credit grantors, and retailers in December.

New consumer credit extended in December was £592m (seasonally adjusted). This compared with £598m in November and was the lowest monthly figure since April, 1979.

Advances in the past three months of 1979 were 4 per cent

higher than in the previous quarter. An increase in lending by finance houses and other specialist grantors more than offset a fall in lending by retailers.

These figures are in current prices and the rate of price inflation was much greater in the period, so there was a fall in the volume of new hire purchase business towards the end of 1979.

Hire purchase lending in 1979 was 21 per cent higher than in the previous year, implying a sharp rise in the volume of activity, particularly to finance the buying of cars.

The average volume of retail sales in 1979 was about 3 per cent higher than the annual average for 1978, a smaller rise than the retail trade expected earlier in the year.

The Department of Trade noted that "sales in the fourth quarter of 1979, although probably boosted by the backdated reduction in income tax which began to take effect in the

middle of October, and by the pensioners' Christmas bonus paid in December, were about 1 per cent below the average level of the previous two quarters."

The volume of sales by durable goods shops in the last three months of 1979 was about 4 per cent lower than the average in the previous two quarters, which included the pre-Budget spending spree.

Sales in clothing and footwear shops rose 2 per cent. Other non-food shops, including department stores and mail order businesses, experienced a 1 per cent drop in the volume of business. There was little change in sales by food shops.

The volume of sales in both food and clothing and footwear shops rose by 3 per cent in 1979, while durable goods shops boosted sales volume 5 per cent. Trade in other non-food shops increased 2 per cent.

The value of retail sales rose 14 per cent last year compared with 1978.

## Rule review 'needed' at Lloyd's

By John Moore

DISCIPLINARY procedures at Lloyd's of London need urgent review, according to Mr. Peter Green, Lloyd's new chairman.

Mr. Green says in the organisation's publication *Lloyd's Log* that it has "become clear that the disciplinary procedures, which have served Lloyd's well for over 100 years, are not surprisingly in urgent need of review. After a long period of apparent calm such a situation has, not unnaturally, created wide publicity."

A series of scandals has recently hit the Lloyd's market. Mr. Green says Lloyd's has grown faster in the past five years than at any other period and so have individual risks.

"In terms of value there is a vast difference between the *Stratford* and *Concorde* liability ship and the latest *Concorde* liability ship and the first offshore oil drilling rigs and the vast multi-million-pound production platforms which we now insure," he says.

"The claims when they occur are inevitably much larger than in the past. Many of the problems which also appear to be much higher ton are often due to errors of underwriting judgment."

## Midland Bank opens Brussels EEC office

MIDLAND BANK has opened an EEC office in Brussels, mainly to help UK companies obtain grants and assisted finance from the European Commission and the European Investment Bank.

Midland claims that the office is the first of its kind to be opened in Brussels by any European bank.

The office, at 15, Rue de la Loi, is headed by Mr. Dermot Gleeson. The phone number is Brussels 230 0385.

## Writ for builders

A YORK building construction company is being sued for £1m by Hull Corporation over damp and condensation problems in blocks of flats. Mr. Ian Watt, senior principal solicitor to the corporation said it may take 18 months to deal with the claim.

## Plessey job losses

PLESSEY in Swindon is planning to make up to 25 staff redundant at their plant on the Cheney Manor industrial estate. The company hopes to find jobs for some staff elsewhere within the company.

## Leasing guide

A WORLD directory of organisations concerned with the leasing industry has been issued by Hawkins Publishers, the company which produces the magazine *Leasing Digest*. World Leasing Yearbook costs £11.50. From Hawkins, 32 Church St., Coggeshall, Essex CO6 1TX.

## MP wants computer in House

By David Marsh

SUGGESTIONS that MPs should have access to computer terminals to give them a better insight into the complexities of public spending received a lukewarm response yesterday.

At a public accounts committee meeting in the House of Commons, Mr. Dick Douglas (Lab, Dumfriesshire) put forward the idea that MPs should have computer terminals installed in the library at Westminster to allow them to receive updated print-outs of Government spending by various departments compared with original estimates.

Sir Anthony Rawlinson, Second Permanent Secretary for public services at the Treasury, told the meeting that he did not see a future in such a scheme. "It would not be cost-beneficial. Members should continue to use the White Papers on public expenditure and the half-yearly progress reports on individual department's spending to get the best idea of the overall expenditure position."

The committee was told that figures from computers would be difficult to interpret, and the amount of material needed to be put on a computer would be out of proportion to the number of questions put.

Mr. William Hamilton (Lab, Fife Central) pressed Sir Anthony for clarification of reports that the Ministry of Defence kept the Treasury "at arm's length" on its spending programme.

He claimed that the Defence Ministry spent about 15 per cent of its budget on non-military purposes.

Sir Anthony said that the Treasury had for a number of years delegated responsibility for spending programmes to individual departments. The principle was taken further with the Defence Ministry than with other departments.

## Suspended term for ex-Tatler director

Financial Times Reporter

MR. GUY WAYTE, 72, a former managing director of the company publishing the *Tatler* and *Bystander*, has been sentenced to nine months' jail, suspended for two years, for conspiracy to defraud advertisers over an eight-year period by falsely inflating the circulation figures of the *Tatler* and the *Nottingham Observer*.

Mr. Wayte, of Colston Bassett, near Nottingham, was ordered to pay £5,000 toward prosecution costs of his four-week trial at Nottingham Crown Court.

He was found not guilty on a third charge.

Mr. Malcolm Campbell, his former deputy managing director, of Fishpond Drive, The Park, Nottingham, was convicted on two charges and cleared on one. He was fined a total of £650, with no order for costs.

Mr. Arthur Dewey, the company's former chartered accountant, of Victoria Road, West Bridgford, Nottingham, was cleared on all charges.

## Wholesale petrol rise waits on crude price

BY SUE CAMERON

THE MAJOR oil companies are waiting to see how far North Sea crude prices increase before deciding on their wholesale petrol price rises.

Last night Shell and Esso, the two leaders in the UK petrol market, and Mobil, Gulf, Barmah and BP Oil, said they had no immediate plans for increasing prices, although they were keeping the position under constant review.

Shell, which takes about half its UK oil requirements from the North Sea, said that reports that the average price of four-star petrol was 139p a gallon were a "violent exaggeration."

The average price for four-star in London appeared to be between 122p and 123p a gallon, and slightly cheaper in the provinces. It was unlikely to rise to 130p a gallon even after another round of petrol increases.

The big companies estimate that a \$1 increase in the price

of a barrel of oil normally adds about 1.3p to the wholesale price per gallon of oil products, including petrol.

If North Sea crude prices rose by \$3 a barrel in the wake of price increases by Gulf and North African oil-producers, petrol could be expected to go up wholesale by about 4p a gallon.

This would probably mean an increase of about 5p at the pumps.

Most of the big oil companies say further product rises are inevitable now that the producing countries are raising prices of crude.

But there are signs that a number of companies are uneasy about rising petrol prices for the third time in six weeks.

When the product price increases do come, they may be loaded more heavily on, say, fuel oil or heating oil than on petrol, to ease the burden on the motorist.

## Belfast air link 'must improve'

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS must improve the quality of its Shuttle air service between Heathrow and Belfast, or face the possible loss of its licence on that route.

This is made clear by Mr. John Nott, Secretary for Trade, in a letter to the Civil Aviation Authority dismissing an appeal by British Midland Airways against being denied the Heathrow-Belfast route.

British Midland applied for the route last May, on the basis that it could make a better job of it than BA, but was refused a licence by the CAA, even though there was strong criticism of British Airways' handling of the route at the public hearing.

Mr. Nott said in coming to his decision he noted criticisms of British Airways' handling of its Heathrow-Belfast route, including delays and sometimes cancellations.

Mr. Nott reiterated the authority's advice that British Airways should show the shortcomings of its Belfast operation "or face the threat of the authority being receptive to a future application like that of the appellant (British Midland)."

Passenger traffic at the seven airports owned by the British Airports Authority rose 7.4 per cent last year, to reach 42.33m.

## Settlement bid made in damages claim

ATTEMPTS are being made to settle the multi-million pound High Court damages claim in which allegations of professional negligence have been made against chartered accountants Harwood Bannister.

The 29 partners in Harwood Bannister, now part of Deloitte Haskins and Sells, deny that they were negligent in their audit of the 1973 accounts of two companies in the London and County Securities group.

London and County Securities Group and nine other group companies allege that, as a result of the auditors' negligence, they suffered losses amounting to about £8.5m.

When the hearing began before Mr. Justice Browne-Wilkinson on January 15, it was expected to last up to six months. On January 28 the judge ruled that evidence given by four partners of Harwood Bannister, and the firm's audit

manager involved in the 1973 London and County audit, to Department of Trade inspectors appointed in 1974 to investigate allegations of professional negligence like that of the appellant (British Midland).

Harwood Bannister had objected, on the ground that the evidence had been given to the inspectors in confidence, and that it was not in the public interest that it should be used in private litigation.

But the judge held that the public interest that all relevant material should be before the court outweighed the risk that witnesses would not give full and frank evidence to inspectors if they feared their evidence might be so used.

After the court rose last Thursday the judge was asked to grant an adjournment for discussions. It is understood that the parties will return to court today, either to announce that they have reached agreement, or to continue the hearing.

## Pair of Meissen mining figures fetches £21,000

TWO MEISSEN figures of miners, by Kandler and Reinicke, sold for £13,000 and £8,000 respectively at a Christie's sale of continental porcelain which totalled £135,015 yesterday. They had originally formed part of a table centre of various stages of mining scenes.

Winifred Williams, the London dealer, bought a Berlin porcelain gold-mounted snuff-box for £1,300, a record auction price, while another snuff-box went to the Antique Porcelain Company of London for £5,000. It was a Meissen chinoiserie, painted by J. G. Herold.

The Sotheby's printed book sale brought £135,015 yesterday. It included a Meissen porcelain figure of a miner, printed in Nuremberg in 1453, with 109 hand-coloured wood-cut illustrations, made £8,500; while the

## SALEROOM

BY ANTONY THORNCROFT

Three-volume "Das Deutsche Bundesarchiv" by Eckert and Montan, with 401 hand-coloured lithographs of uniforms, went for £8,000. "Views of Greece," 30 aquatint plates, by Edward Dodwell, sold for £5,500.

A minor silhouette and miniature auction totalled £25,239, with top prices of £700 for a collection of 13 continental miniatures of about 1850; and £880 for a silhouette of Miss Stephenson, the work of Mrs. Isabella Beetham about 1794. The Americana sale at Sotheby's Parkes Bernet, in New York, which ended on Saturday, totalled £1,303,004.

## NEW DEVELOPMENT CORPORATIONS TAKE CHARGE

## Bringing new life into docklands

BY ANDREW TAYLOR AND ROBIN PAULEY

THE GOVERNMENT'S controversial plan to establish a new authority to mastermind the redevelopment of London's decaying docklands is the latest in a series of "new initiatives" which have so far largely failed to attract new industry and commerce to the area.

Under the Local Government Planning and Land Bill, which receives its second reading today, two urban development corporations are to be created. These will have complete responsibility and authority for the redevelopment of more than 6,000 acres of dockland in London and Merseyside.

Mr. Michael Heseltine, Environment Secretary and initiator of the plan, has charged the corporations with attracting private sector investment into docklands. He is understood to have chosen Mr. Nigel Brookes, chairman of Trafalgar House, the construction and shipping group, to head the London development corporation.

The corporations will have wide-ranging powers, including the right to acquire land compulsorily. They will have an initial combined budget of £200m, with provisions in the Bill to raise this to £400m.

However, this figure sub-

stantially understates the amount of public money needed for successful redevelopment of London's docklands.

Present plans call for spending up to £800m, to provide major new road and underground rail links with docklands. This could involve the construction of five railway tunnels and three road tunnels under the Thames.

The lack of adequate access routes linking the declining docks area with the more affluent parts of the capital and the South-East has been a major factor behind private sector reluctance to play a significant role in the redevelopment of docklands in the past 15 years.

Plans to build many of the new road and rail links are advanced, but there is a big difference between accepting in principle the need for major sections of new infrastructure and finding the cash to pay for it.

The London Transport Bill, presently before Parliament, includes provisions to spend £280m extending the Jubilee underground rail link into docklands. But how much of this money will eventually be made available is debatable.

Mr. Heseltine could hardly have chosen a worse time to

approach his Cabinet colleagues for more cash with the Government desperately seeking to find new areas for spending cuts.

He can, however, argue that the Cabinet has an obligation to provide the necessary financial support as it agreed the legislation establishing the urban development corporations.

He will leave his colleagues in no doubt that they must put their money where their collective mouth is.

The new legislation has already met with stiff opposition from the five Labour-controlled councils—Newham, Southwark, Tower Hamlets, Greenwich and Lewisham. Together with the Greater London Council, they are presently responsible for redevelopment of the area, under the umbrella of the Docklands Joint Committee.

The local authority leaders bitterly resent the establishment of a new body at a time when much of the site preparation work has been done, strategic plans drawn up and agreed and construction begun in some areas.

They say that if they were given the control this case calls for, they would finish the job, and more effectively than a UDC. In terms of new buildings, it

would appear that little has been done since the Docklands Joint Committee was established at the end of 1973—an observation that did not escape Mr. Heseltine following a brief helicopter flight over the area.

However, this first impression belies the vast amount of work that has gone into solving the complex problems of draining, infilling and levelling an area of docklands 8½ miles square.

Much of the earlier infilling of Surrey Docks, for example, had to be done because of hazards to health and safety. Beckton marshes to the north of the Royal Albert Docks have been drained and sewage systems installed. Housing programmes have been established, and building, particularly in the Surrey Docks, started.

There have been other major problems to overcome, not least difficulties over land acquisition—with ownership spread largely between local authorities, the Port of London Authority and other public bodies like the Gas Corporation.

In the case of Beckton, wrangling is continuing over the future of a parcel of land which the Gas Corporation

wants to retain and which is said to be needed for a train depot for the planned extension to the Jubilee Line.

Mr. Heseltine says that the compulsory purchase powers to be given to the UDC will solve the "present problems of disparate ownership" and that "the creation of a single authority will bring greater scale and certainty of resources to the project."

It is an attractive argument but how much financial and statutory muscle the new corporations will in practice be able to use remains to be seen. The local authorities point out that extensive planning inquiries over controversial proposals like the provision of a £400m southern relief road are still likely to occur.

A number of major schemes are now proposed for Surrey Docks—including a £400m shopping, office and hotel complex put forward by Taylor Woodrow and Wimpey. This indicates that the private sector may be less reluctant than it once was to come to docklands—particularly to the more attractive sites where developers are less exposed to financial risk.

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# Coal must assume larger role, says Shell chairman

BY MARTIN DICKSON, ENERGY CORRESPONDENT

COAL IS destined to take the place of oil as the world's balancing fuel for the rest of the 20th century and possibly beyond, Mr. Peter Baxendell, chairman of Shell Transport and Trading, said yesterday.

He told a meeting in London of the Coal Industry Society that, since oil was no longer "universally applicable, cheap and available balancing fuel that it had been for so long, other fuels would have to grow in availability to take up world energy demand. They would also have to substitute for oil in increasingly sophisticated ways.

Because there was little prospect of bringing in significant new or renewable sources of energy, other than nuclear, before the year 2000, coal would have to take up the load and would "be vital to satisfy

reasonable overall growth in world energy demand over the next 20 years."

Coal was destined "by sheer necessity" to take the place of oil for the rest of the century and possibly beyond as the "swing" or balancing fuel — a versatile fuel capable of filling energy gaps.

Turning to the role of the oil companies — many of which are investing heavily in coal — Mr. Baxendell highlighted three areas where their involvement could be particularly advantageous to the industry.

• The oil companies were accustomed to front-end loaded investment on the "mammoth" scale needed to finance coal export projects.

• Second, the oil industry could help produce the international trading infrastructure needed to stabilise coal supplies over time.

• Finally, the oil companies could contribute to the new technology needed in the transportation, handling and use of coal.

Mr. Baxendell pointed out that a company in the Shell group recently announced plans to build a £70m plant in the Netherlands to gasify 1,000 tonnes of coal a day, operating in conjunction with a combined cycle power station featuring both gas and steam turbines.

Mr. Baxendell said there was bound to be a tremendous growth in the international trading of thermal coal. By the year 2000 the EEC would have an annual deficit between 150m and 350m tonnes of coal to be met by imports, according to figures recently produced by the European Coal and Steel Community consultative committee.

There were suggestions that the Far East would be trying to import coal on a similar scale.

• Murphy Bros. has been awarded a £24m contract by the National Coal Board to win some 2.5m tonnes of coal from the Erin opencast site near Chesterfield. The coal will be used principally by power stations, but some will be sold for industrial and domestic use.

Murphy Bros. operates seven other opencast sites out of nearly 60 contracted out to civil engineering companies by the coal board.

# Fine Fare reducing prices on 100 items

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

FINE FARE yesterday launched its expected price-cutting campaign with a £7m package of price cuts covering 100 grocery items.

The price cuts, which will be implemented in Fine Fare's 515 stores today, are the latest move in the High Street supermarket price war. They follow the £5m price cuts announced last week by the Asda supermarket group and price promotions launched earlier last month by Tesco and J. Sainsbury.

All these promotional campaigns, reflect the continuing fierce competition between the grocery multiples rather than the onset of a major new offensive similar to that started by Tesco in the summer of 1977. At that time Tesco cut prices by between £20m and £30m, helped by dropping Green Shield stamps. Since then, the group has almost doubled its share of the market.

But it is acknowledged in the grocery trade that no multiple

has the room for manoeuvre to cut prices by such a wide margin.

Fine Fare's price cuts will represent a 10 per cent reduction on the 100 lines of special promotions. Prices will be held until Easter and the promotion may be extended beyond that date.

Fine Fare's market share of packaged groceries is estimated at 5 per cent, although it has 13 per cent of the market in Scotland. Tesco has a market share of 14.5 per cent.

The Fine Fare price cuts will be backed by a £1m Press and television advertising campaign.

Meanwhile, Asda yesterday said its price cuts last week led to a 20 per cent jump in sales. It also claimed to have received more than 2,000 telephone calls from people wanting to know the location of their nearest Asda store.

Grocers in superstore war. Page 21

# Tourist Board defends 'expensive' London

BY JAMES McDONALD

THE IDEA that London is the most expensive city in the world to stay in is misleading and sometimes even unintentionally mischievous, Mr. Michael Montague, chairman of the English Tourist Board, said in London yesterday.

Publicity which resulted from a Financial Times survey on January 26 gave the impression that visitors had to pay more to stay in London than anywhere else on earth, Mr. Montague told a meeting of West End hotel managers.

"The fine print of the Financial Times report made it clear that only hotels in the first class international category had been surveyed, but unfortunately not many people read the fine print."

An impression was given "that £65.50 per night bed and breakfast is a going rate for first class accommodation in London."

"The very next day, the English Tourist Board changed to run a national advertisement listing more than 30 leading London hotels which offer weekend breaks at prices ranging from just over £10 to just over £20 a night per person inclusive for bed, breakfast and VAT."

There were hotels in London charging £65.50 and more a night, but the majority of bedrooms, with bath, in London still cost less than £25.

"In any case, the basic cost of bed and breakfast is only part of the story. The Financial Times survey revealed that the price of a la carte dinner or a glass of whisky can be much cheaper in London than in many other cities."

# P.O. union urges state aid for opto-electronics

BY ELAINE WILLIAMS

A CALL to the Government to provide £40m to support development of opto-electronics has been made by the Post Office Engineering Union.

Opto-electronics is the use of thin strands of glass fibre for telecommunications and other applications.

The union, in a study of optical fibre technology published yesterday, says the Government must accept responsibility to help work being carried out in this field.

It says the Government should grant the request for the £40m, made by the National Economic Development Office's electronics components sector working party last year.

The union study says: "It is time that the British Government and the Department of Industry woke up to the importance and potential of optical fibre technology. It is a fundamental building block in the creation of the information society of tomorrow."

About 70 per cent of all optical fibre will be used for telecommunications and the union is concerned that Britain's strong position in practical systems will be undermined by overseas competition if the working party's request is not met soon.

The union also wants the Government to sponsor an experiment in which a small community in Britain would be "wired up" with optical fibre cable, so that subscribers could receive telecommunications services not now available to them, such as videophones.

This would enable the UK to test practical application of optical fibres in the Post Office telecommunications network.

# Comet cuts prices in bid to boost sales

COMET RADIOVISION, the retail electrical chain, is to cut its prices for electrical goods in an attempt to win a larger market share, writes Elaine Williams.

Reductions, amounting to an average of between 2 and 3 per cent, have been made because of increasing competition with other discount houses and Comet's dissatisfaction with its present market share of between 8 and 9 per cent.

Mr. Michael Hollingsbery, Comet's chairman, said that the move showed the company's intention to keep Comet at the top of the discount league at a time when sales are less buoyant than in 1979. Last year the company achieved a pre-tax profit of £9.2m on a turnover of £168m.

Mr. Hollingsbery said that the price cuts had been made to ensure that no-one could "undercut" Comet.

Compared with December prices, typical reductions are £12 off an automatic washing machine, £5 off a refrigerator and £5 to £20 off a colour TV set.

Comet, which has 153 stores in the UK, last year acquired Caledonian Holdings, which has another 77 stores in the Timberland chain.

## NEWS ANALYSIS: NEWSPRINT

# Surprise for paper industry

BY WILLIAM HALL AND RAY PERMAN

THE NEWS that Wiggins Teape and Consolidated-Bathurst are preparing detailed proposals for a £100m newsprint mill at Fort William in Scotland has caused considerable surprise in the paper industry.

Wiggins Teape has been trying to solve the problem of its loss-making pulp mill at Fort William for a number of years. When it was first suggested that newsprint production was a viable alternative, Wiggins, which has no newsprint expertise, turned to Reed and Bowater for help. However, both companies turned down the offer of a stake in any new newsprint mill because they could not see how it could earn an adequate return.

The UK newsprint industry has been something of a disaster area in recent years. In 1969, home production peaked at 790,000 tons a year. Since then it has been mostly on the decline. Last year, the UK produced 364,000 tons — equivalent to just over a quarter of the country's 1.4m tons consumption.

Bowater is the biggest producer, making about 220,000 tons a year on five machines in Kent and Cheshire. The balance is produced by Reed, which operates three machines in Kent (155,000 ton capacity). Both companies have been losing money on newsprint production and have been reluctant to invest in new capacity.

A problem for UK producers is that newsprint prices have hardly moved over the last few years, even though energy costs have risen sharply. Bowater's present newsprint price of £233.87 a ton is virtually the same as it was at the beginning of 1977. Both Bowater and Reed insist that prices need to be raised by between £20 and £30 a ton if UK production is to be viable.

For these reasons, they are sceptical about plans for a new mill. The Forestry Commission in Scotland has estimated that the delivered-to-mill woodprices in Canada and the U.S. are half the level of prices in Britain and Scandinavia.

In addition, UK energy costs are much higher than in North America. The only consolation is that transport costs should be lower. Even so, Fort William is a long way from the main source of demand in the South of England.

In spite of these drawbacks, Consolidated-Bathurst, which produces more than 1m tons of newsprint in Canada, seems fairly confident that newsprint production at Fort William is a viable long-term proposition.

It still has to ascertain the cost and continuity of Scottish timber supplies, energy costs and the scale of Government assistance, but hopes to start construction of the new mill in July.

web-offset market, which Consolidated-Bathurst reckons consumed 230,000 tons in 1979. This is an area which is growing rapidly. It is supplied mainly by imports because UK output is limited to about 40,000 tons a year from one small machine on Merseyside.

Another area is the growing market for lightweight newsprint to reduce distribution costs. Consolidated-Bathurst believes that present UK newsprint machines cannot produce paper of less than 45 grammes. The Fort William machine will be designed to produce below 40-gramme paper.

News of the project has given an added boost to the Scottish forestry industry. It comes shortly after the announcement from another major user of wood, the Caberboard plant at Cove, Strathclyde, that it will need a further 100,000 tons of timber a year to feed its new fibre-board process.

The new pulp mill at Fort William will be more efficient in its use of wood than the old, but will consume more than the present 300,000 tons a year.

Consolidated-Bathurst has carried out test in conjunction with the Forestry Commission and private growers and is satisfied with the quality of timber and the size, which compares favourably with the average tree size available in Canada.

The exact number of employees in the new mechanical pulp mill and the newsprint plant will not be known until negotiations with the unions are complete, but it could be 100 fewer than are presently engaged in the chemical pulping process.

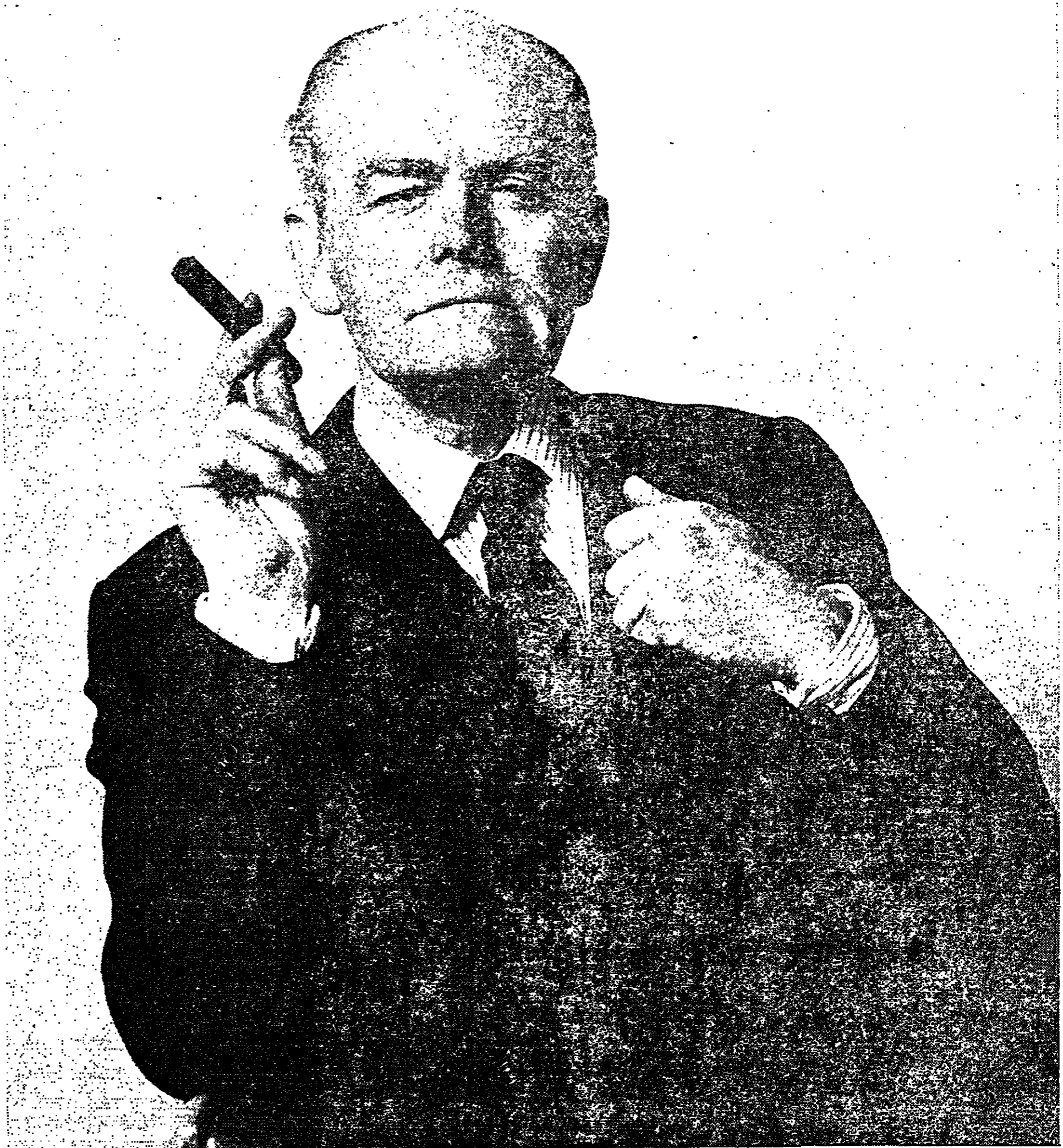
Any reduction in employment would be a blow to Fort William, where new jobs are scarce. But it would inflict a wound far more easily healed than if there were to be outright closure of the pulping plant. In that case, 450 direct employees would lose their jobs, together with 600 others in forestry and haulage.

The changed position at Fort William has given renewed impetus to the planning that is already under way for the future of British forestry.

The UK presently imports about 91 per cent of its timber and timber product needs at an annual cost of £2.5bn — one of the largest contributors to the import bill. The country is unlikely ever to be in a position, to escape from a heavy import burden, but increasing self-sufficiency by even a few per cent could mean substantial savings in import costs.

The Forestry Commission estimates that, by the end of the century, Britain will be able to produce 12-13 per cent of its own requirement of softwoods, with the proportion continuing to rise provided the right planting policies are maintained.

CANADIAN UK DELIVERED NEWSPRINT †		
		Per tonne £
1972		74
1973		84
1974		134
1975		156
1976		166
1977		213
1978		215
1979 (forecast)		218
* Based on 48.2 Gramme Paper.		
† Aevareg prices.		
Source: Phillips and Drew		



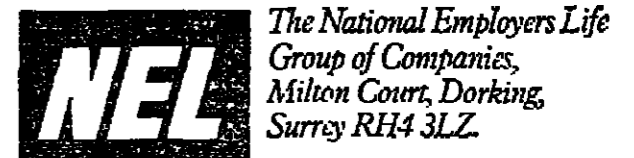
Most people know us by our initials, too.

Which in one way is perhaps a pity, because our full name — National Employers Life — tells you something about us.

By happy chance, its second word pinpoints a sector of the community to whom we can be — and are — of particular help.

Our health insurance schemes and pension facilities are installed in many of the major names of industry and commerce.

But in another way, maybe it's a help: after all, don't they say initial impressions last longest?



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## UK NEWS — PARLIAMENT and POLITICS

## LABOUR

## Wales to get £48m help

BY IVOR OWEN

UP TO £48m is to be provided by the Government over the next two years for the acquisition of industrial sites and the building of new factories in South Wales in an effort to mitigate the loss of jobs from the contraction of the steel industry.

New opportunities for private sector as well as public sector enterprises were envisaged by Mr. Nicholas Edwards, the Welsh Secretary, when he announced in the Commons last night Cabinet authorisation for this new expenditure.

While welcoming the Government's recognition of the need for remedial action Mr. Alec Jones, Labour's shadow spokesman on Welsh affairs, insisted that the £48m was not anything like enough when South Wales faced unemployment on a scale not experienced since the 1930s. The endorses the estimate of the Wales TUC that the numbers out of work could reach 140,000 by 1981. But he failed

to win any hint of a concession from Sir Keith Joseph, the Industry Secretary, when he called for Government intervention to enable the closure of the BSC plants at Llanwern and Port Talbot to be delayed for two years.

Sir Keith snapped: "Don't you realise that two years further on, the steel industry will be even less competitive in relation to its rivals than it is today?"

Two years post-mortem, he said, meant that the cutback in BSC's operations would have to be "even steeper than it may have to be now."

Mr. Edwards who refused to give any Government estimate of the likely rise in unemployment in Wales in the wake of the rundown of the steel industry, announced the £48m programme after reasoning the Government's acceptance of its responsibility to cushion the impact of change.

The prime need, he said, was for the acquisition, preparation and development of industrial sites together with a substantial programme of advanced factories within the areas most affected to take advantage of the excellent communications provided by the M4 and the trunk road and highspeed rail networks.

He also foresaw the need for a continuing programme over a number of years which could be worked out as the situation became clearer.

"What is needed now is to launch a new infrastructure programme that we can get things under way and give people the assurance that action will be taken."

"I can now tell the House that within the reduced public expenditure programme we have been discussing, the Government is planning to make available some £48m over the next two years for remedial measures of this kind."

Mr. Edwards stressed that the major part of these additional resources would be allocated to the Welsh Development Agency which was preparing detailed plans. The Cwmbran Development Corporation would also have discussions with local authorities to determine whether it could develop industrial land in or around the new town as a contribution to providing alternative jobs in the Llanwern area.

Mr. Edwards emphasised that the £48m allocation would enable the Welsh Development Agency to get on without delay with a substantial programme of acquisition and development of industrial sites.

Apart from the new programme, the WDA would be spending in the coming financial year about £12m under its normal programme in the areas affected by the closures, including £8.5m in Ebbw Vale and Cardiff.

## Customs and Excise 'can tap' telephones

By Our Lobby Staff

CUSTOMS and Excise can apply to the Home Secretary for a warrant to tap a suspect's telephone when investigating major fraud cases, the Prime Minister said yesterday.

In a letter to the Tory backbencher, Mr. Geoffrey Dickens who was calling for more information about the scale of phone tapping well before last week's revelations on the subject, Mrs. Thatcher said that the criteria suggested by the Birkett Committee in 1977 still applied.

The committee, she pointed out, said that Customs and Excise might be justified in seeking a warrant from the Home Secretary for interception when investigating a case involving a "substantial and continuing fraud which would seriously damage the revenue or the economy of the country if it went unchecked." That criteria she said, continued to be followed today.

Mrs. Thatcher insisted however, that interception was not used by Inland Revenue. And she stressed that Customs and Excise would consider using telephone tapping in cases involving VAT abuses only when there was reason to suspect really large scale evasions. More than 31 MPs have signed a backbench motion calling for the appointment of a committee to investigate the matter.

THE TOTE was involved in malpractice in the two years to last July but the transmissions did not involve any breach of the common law or any statutory provisions, a Government appointed inquiry concluded yesterday.

Following criticisms of some of the methods used by the Tote last year, the Home Secretary asked Mr. Agnew, a Recorder of the Crown Court, to carry out an inquiry.

## SUBTLE SHIFT UNDERLIES STEEL SCENE After the dust settles...

BY CHRISTIAN TYLER, LABOUR EDITOR

FOR THE general secretary of the Iron and Steel Trades Confederation to be overturned by his lay national executive must be as rare an event as the national steel strike on which the union has embarked.

But it happened on Friday, when Mr. Bill Sirs was virtually alone in speaking against the immediate reimposition of the sympathy strike in the private sector.

Moreover, it had been only with the greatest difficulty that Mr. Sirs had persuaded the executive earlier last week to obey Lord Denning's Court of Appeal ruling and to suspend action pending the verdict of the House of Lords.

These two instances serve as proof, if proof were still required, that the strike against the British Steel Corporation is not a one-man vendetta against an employer by a trade union autocrat. They illustrate, too, the subtle shift of power that has been taking place since Mr. Sirs himself loosened the reins on taking office.

Outwardly, the ISTC may look much the same as ever—politically moderate (Right-wing Labour), industrially disciplined, self-contained, and extremely jealous of its status as the steel union in an industry that boasts at least 13 of them.

On the TUC general council Mr. Sirs aligns himself with articulate moderates like Mr. Cid Weight of the National Union of Railwaymen and Mr. Frank Chapple of the Electrical, Electronic, Telecommunication, and Plumbing Union.

It was to his union that Mr. James Callaghan turned when he needed a platform for his pre-Party Conference rallying of the Labour Right.

The union has been cultivated by Mr. Denis Healey and Mrs. Shirley Williams. (Mr. Sirs is now casting that cheque by seeking front-bench Opposition support for his battle with the BSC but the divided Parliamentary Labour Party has been too hamstrung by its own affairs to be of much help.)

Many of the ISTC's officials in the regions are Labour Party stalwarts, local councillors or prospective MPs, and this political ethos appears to have been scarcely dented by the younger and more Left-wing shop-stewards.

And it is probably no accident that the ISTC was the first trades union to invite a member of the Royal Family, Prince Charles, to address its conference, Brother Windsor being treated as one of the family for a few hours.

Yet the union has been changing. Mr. Sirs instituted an annual conference four years ago. And although the conference is a consultative affair, unable to tie the national executive to particular policy lines, it at least gives the rank-and-file their first chance to disagree in public with the leadership.

Last year's conference was marked not only by the royal

which recently accounted for no fewer than 10 of the seats. This is made possible by a system which combines regional seats with trade seats, rather like that employed by the transport workers.

Generally the two South Wales divisions and South Yorkshire form a tight, influential alliance. On the other side is a loose coalition of Scotland, the North-East and West Midlands and the North-West. Few of the executives are ex-unionists, apart from a notable exception being the Left-wing Mr. John Cowling from Corby.

Those who complain about the self-perpetuating oligarchy from South Wales are as anxious as the unofficial reform group for a rule-change that would dilute its influence, possibly by abolishing the 11 trade sections.

Union officials, including Mr. Sirs, do not have a veto but the lay president has extra casting vote. Executive councilors sit for a three-year term. The ISTC lives in a hostile world. Although numerically dominant—with 107,000 members in the industry ranging from ancillary workers to management grades—it is desperately anxious to retain its autonomy and expand its coverage. There is no love lost between the ISTC and the seven craft unions, for instance, whose aggregate membership is increasing as a proportion of the total workforce.

Mr. Sirs also keeps a wary eye on the transport workers, whose lack of discipline at local level he views with distaste, and which he may suspect of wanting to take his union over by a "unionist" chronic inability to sit down together may become even more acute.

The craft and general unions—extremely reluctant to strike in the first place—have been looking for a separate settlement. That division could even lead to the collapse of the TUC steel committee—the only union forum the industry has—when the strike is over.

Mr. Sirs has, however, found an ally in the blastfurnacemen, a shrinking but defiant union, and he believes that Mr. Hector Salith, the blastfurnacemen's general secretary, would like to make the alliance permanent when the dust settles.

The national executive has taken advantage of Mr. Sirs' more open style of Government to develop its own personality. The national strike has given that personality full voice.

visit but by emergence of a pressure group which circumscribed delegates with a programme for internal reforms. Some ISTC leaders, including Mr. Sirs, denounced the group as being unconstitutional. Left-wing plotters. Yet demands of the reform group—mainly for more proportional representation on the national executive—would scarcely have counted as radical in any other trade union.

But the real focus of change is the national executive, which has taken advantage of Mr. Sirs' more open style of government to develop its own personality. The national steel strike has given that personality full voice.

If the national executive of 21 laymen is no longer the tame animal it was under Mr. Sirs's predecessor, the secretive Sir Dai Davies, it is not split along political so much as regional lines. There is no Left-Right divide, as say, in the miners or in the former engineers' executives. Numerically it has been dominated by South Wales,

## Welsh select committee begins work

BY ROBIN REEVES, WELSH CORRESPONDENT

AFTER AN inordinately long gestation period, a Commons select committee on Wales affairs—the Conservative Government's alternative to a devolved Welsh assembly—is due to begin work today under the chairmanship of Mr. Leo Abse, the maverick backbench Labour MP for Pontypool.

The committee's birth has been plagued by parliamentary delaying tactics by the Government and the Opposition over the committee's composition and chairmanship.

It was agreed in October that Labour should take the chair but it proved impossible to constitute the committee when objections were raised to a succession of candidates.

Mr. Roy Hughes (Lab. New-

port), Mr. Alan Williams (Lab. Swansea West) a former Industry Secretary, and Mr. Donald Anderson (Lab. Swansea East) were all rejected by one side or the other before agreement was eventually reached.

Plaid Cymru's two MPs used blocking tactics to protest the exclusion of nationalist representatives. The committee is made up of six Conservative, four Labour and one Liberal MPs reflecting the Westminster balance of power rather than the respective party strengths in Wales at the last general election.

This inauspicious start, and indications that Mr. Abse has agreed to take the job for only a year, has not increased confidence that the committee will

make a significant impact on the efficiency and sensitivity of government in Wales.

But the main question-mark over the committee's role remains unanswered. Will it seize the freedom to launch in-depth inquiries into burning Welsh political issues, or allow itself to be confined to a narrow functions of the Welsh Office and its nominated bodies?

In theory, the investigative watchdog role over some field is wide open. The Welsh Office is a multi-functional department with responsibility for many aspects of industry, housing, roads, water, health and local government in Wales.

But the Conservative majority on the committee may argue that the existence of other

departmental select committees covering these specific areas preclude the Welsh committee from looking at, for example, the threatened mass redundancies in the Welsh steel and coal industries.

Indeed, the overlap leads some observers to believe it may prove impossible for a select committee which has a territorial mandate—Wales—to operate effectively within a Parliament which is responsible for the whole of the UK.

On the other hand, Mr. Abse is anything but a timid backbencher. Given determination by the chairman to succeed, the Welsh select committee could turn out to have an important impact on the political and administrative scene in Wales.

## Joseph avoids pledge on steel

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

AN APPEAL to the unions and British Steel Corporation to end the "self-destructive" steel strike on terms which the industry can afford was made in the Commons yesterday by Sir Keith Joseph, the Industry Secretary.

He stressed yet again that the Government could not ask "the long-suffering taxpayer" to provide more money to underwrite a settlement. But, significantly, he cautiously avoided giving a direct answer when he was asked for a categorical assurance that the Government would not intervene and would not provide more money to end the dispute.

Although condemning the extension of the strike to the private steel sector Sir Keith was noticeably low-keyed when he answered questions about the possibility of amending the Employment Bill to deal with secondary picketing and sympathy strikes.

He claimed that despite the closeness in the steel industry, manufacturing production fell only about 1 per cent by the third week of the strike.

Mr. Patrick McNair-Wilson (C. New Forest) said there appeared to be lingering doubts in the private sector that the Government could be coerced into intervention in the dispute. He asked for a categorical and unequivocal statement that the Government would not intervene, would not usurp management functions and would not provide any more money.

Sir Keith replied that it was "deeply" in the interests of

the steelworkers that they should become more competitive.

This theme was taken up by Mr. John Morris (Lab. Aber-avon) who asked how long the Secretary of State and the Prime Minister intended to maintain their stance of non-intervention and allow industry to bleed to death.

Sir Keith told him: "We hope that management and the unions will soon be negotiating very seriously and with good results."

From the Opposition front bench, Mr. John Silkin, Industry spokesman, said it was the Government's refusal to intervene and the inaction and complacency of Sir Keith that was leading the country into the sixth week of the strike.

Sir Keith replied that Mr. Silkin was really asking the taxpayer and more money. Yet most taxpayers had smaller earnings than the £112 a week average of the steelworkers.

Mr. Kenneth Baker (C. St. Marylebone) said that the Lords' decision last week reversing the Court of Appeal meant that the law on secondary picketing was in confusion. He urged the Government to take an early opportunity to clarify the law and narrow the range of trade union immunities.

Sir Keith agreed that it was "deplorable" that the law should allow the private sector, where there was no quarrel between employees and employers, to be called into the BSC dispute.

## Ulster talks revival attempted by SDLP

BY ST HEART DALBY IN BELFAST

THE MAIN Catholic party at the constitutional conference on Northern Ireland, the SDLP, yesterday attempted to bring the bogged down talks back to life by reintroducing into the proceedings the key concept of power sharing at the highest level.

The SDLP released a lengthy and very subtly worded position paper about local government in Northern Ireland. It reached two main conclusions.

The first was that since majority rule had not worked at a local level, it could not possibly work at the highest level which in the context of Ulster means fully devolved Cabinet rule.

Its second conclusion was that partnership (which is what it calls power sharing), at a local level has been seen to be successful in those areas where it has been executed.

The document entitled "Local Government in Northern Ireland—A Portrait of Future Regional Government?" said "what can happen at local levels can also happen at central levels."

It goes on to say: "Those who deny the partnership Government of 1974 do not deny its failure, but are afraid of its success."

In other words, the SDLP is saying that it does not accept the veto of Mr. Ian Paisley, the main Unionist delegate at the conference on power sharing. The paper which in its present form will not be presented to the conference, will emphasise

the successes of local government, run by partnership.

Last week Mr. Paisley effectively quashed the motion that a fully devolved Cabinet could emerge from the current constitutional talks on Northern Ireland by saying that any Cabinet would have to be made up by the majority Unionists.

The SDLP's minimum demand was that should a Cabinet emerge as a favoured ruling body, its minimum demand would be participation at the highest level.

The SDLP's document tries to show that in district councils where there has been a partnership—namely those of Derry, Down, and Newry and Mourne districts—the areas have flourished. The common factor in these three councils is either SDLP control or substantial representation on the councils.

The document adds on the other hand that councils such as Armagh, Ballymena, Banbridge, Coleraine, Cookstown and Craigavon which are Unionist dominated have maintained sectarian attitudes and practices of the former local authorities.

Northern Ireland has been run by direct rule from Westminster since 1972. An attempt at power sharing in 1974 collapsed after five months.

There are currently 26 district councils in Northern Ireland. Their powers are severely limited but activity within them is intense because they are the only forums to which politicians can aspire.

## Cool reply to Olympic Games switch

By Richard Evans, Lobby Editor

THE Prime Minister received a cool reaction yesterday from British sports officials to her suggestion that the Olympic Games should be removed from Moscow this summer following the Russian invasion of Afghanistan.

Members of the Central Council for Physical Recreation and the Sports Council both told Mrs. Thatcher in talks at 10, Downing Street that they thought the idea was impractical.

In response, he Prime Minister accompanied by Mr. Hector Monro, Minister for Sport, recognised there were great difficulties in re-siting the games but she did not think these were insuperable. She reminded the officials that around 45 countries had now called for the Games to be boycotted or moved.

The International Olympic Committee is to meet at Lake Placid on February 13 during the winter Olympics to consider the future of the summer Games. The British Olympic Committee will meet again in early March to consider the Government's attitude.

Continuing efforts will be made internationally to see if alternative venues can be found for various sports, but the indications are that these plans will so receive a favourable response from the sporting community.

## OBITUARY

## Lady Summerskill, social reformer

BY PHILIP RAWSTORNE

BARONNES SUMMERSKILL, a vigorous advocate of social reforms throughout a parliamentary career that spanned more than 40 years, died yesterday. She was 78.

Lady Summerskill championed many causes, achieving notable improvements in particular in women's rights, child welfare and community health. She fought a long and unsuccessful campaign to ban professional boxing, a sport she condemned in a book "The Ignoble Art."

Her Bill to outlaw the pro-

motion of professional fights was thrown out by the Lords by only seven votes. But medical checks on boxers were tightened as a result of the controversy she aroused.

She was prominent also in the long anti-smoking campaign that eventually brought restrictions on cigarette advertising.

It was the poverty encountered in her early medical practice that turned her towards the Labour Party and a political career.

She was elected Labour MP

for West Fulham in 1938, a constituency she represented until 1955 when she became MP for Warrington.

Lady Summerskill was largely responsible for the foundation of the Socialist Medical Association which pressed for the establishment of the National Health Service.

With less success she tried to introduce a new variety of fish, snook, into the British family diet.

Lady Summerskill became a Privy Councillor in 1949 and

was Minister of National Insurance 1950-51.

Though she never again held Government office, her campaigns ensured that she remained constantly in the public eye.

In the House of Lords in 1964 she brought a 20-year fight to a successful conclusion with the passing of legislation entitling wives to a half share in marital property.

Three years later, the Matrimonial Homes Act ensured that a deserted wife could not be dispossessed of her home.



Lady Summerskill

## EEC textile protection statement soon

BY OUR LOBBY STAFF

THE Government hope to make a statement by the end of the week on EEC action to protect the British textile industry against imports of U.S. synthetic fibres, Mr. John Nott, Trade Secretary, told the Commons yesterday.

Mr. Nott will be attending a Common Market Council of Ministers meeting in Brussels today dealing with imports of manmade fibres.

When MPs complained that imports of synthetic fibres were putting at risk jobs and firms in Britain's textile industry, Mr. Nott agreed that "great damage" is being done to sections of the fibre industry.

"I fully accept that and this matter will be discussed in the Council of Ministers meeting I hope that by the end of the week we will be able to make a statement on the subject."

Mr. Nott said that 95 per cent

of imports from low-cost producers of textiles were covered by some form of restraint. The present problems were caused by imports from developed countries, and that was the subject of the Council of Ministers' meeting.

Although promising that the Government would do its best to support the British textile industry by seeking agreements to limit imports, he warned the industry must also take action

to remain competitive. "There are continual changes in fashion and technology going on at present and the British textile industry must respond to them. We cannot run the industry on behalf of the established commodity organisations and an associated conference centre."

THE Government will not provide financial backing for a proposed world commodity centre in London, Mr. Cefi Parkinson, Trade Minister, announced in the Commons yesterday.

He said the Government had decided that in view of the need for further reductions in public expenditure, it could not provide finance for the building of new premises in London for the established commodity organisations and an associated conference centre.

"The Government is still prepared to consider any future proposal for establishing the common fund in London,"

## Warning to TV staff who seek franchises

BY GARETH GRIFFITHS, LABOUR STAFF

TRIDENT Television, one of the largest independent television companies, has warned its employees that if they join a group applying for the Trident franchises they should resign immediately.

The warning, which applies to all staff at Yorkshire and Tyne Tees Television, is given in a letter written by Mr. Ward Thomas, chairman and managing director of Trident.

Television unions are worried about the implications of the letter and are afraid other ITV companies will put similar pressure on staff not to be openly critical of existing broadcasting arrangements.

The letter says: "So long as they are in the employment of the company, they should refrain from any statement or comment, whether attributed to them or not, the effect of which would be to denigrate any programme or service."

The International Olympic Committee is to meet at Lake Placid on February 13 during the winter Olympics to consider the future of the summer Games. The British Olympic Committee will meet again in early March to consider the Government's attitude.

Continuing efforts will be made internationally to see if alternative venues can be found for various sports, but the indications are that these plans will so receive a favourable response from the sporting community.

## Bigger Civil Service unions may gain power

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE unions are likely this week to approve radical changes in the policy-making body covering all nine unions which will leave effective control in the hands of the largest, and exacerbate divisions between them and the smaller unions.

The general secretaries of the unions met yesterday. The meeting of the full Staff Side of the National Whitley Council is expected to take the decision on Thursday.

The largest three unions involved, the Civil and Public Services Association; the Society of Civil and Public Servants; and the Institution of Professional Civil Servants have tabled a motion for the meeting seeking agreement on the changes in the Staff Side they have proposed.

The alterations, based largely on an SCPS discussion document on Staff Side structure circulated last autumn, will give formal recognition of the two separate levels of power there. The changes would establish a separate negotiating com-

mittee consisting of officials of the three large unions. This would give them considerable say in influencing decisions on such matters as pay, which would nominally still be dealt with by all the unions individually.

They would also expand the size of the Staff Side from its present total of 22 seats to 63, and establish representation on the basis of size of membership, which would give the unions an overall majority of seats.

The smaller Civil Service unions have attempted to move against the changes, but since the three unions control 16 of the present seats the vote on Thursday is expected to approve them.

Mr. Les Moody, general secretary of the small Civil Service union, has threatened to resign from the Staff Side if the changes are approved, though there is some doubt as to whether he could persuade his executive to give him full support.

The claim, due for settlement in June, also seeks substantial improvements in shift premiums and plus rates and a minimum overtime rate at double time.

The unions, who will meet employers later this month over pay, are also looking for improved travel, subsistence and tool allowances.

The four unions—UCATT, TGWU, the General and Municipal and the Furniture and Timber workers—also want severance arrangements linked to specific conditions on individual sites.

## Joint claim agreed for builders

By Nick Garnett, Labour Staff

A JOINT CLAIM for building and civil engineering workers, including full consolidation of all outstanding supplements and a substantial increase in consolidated rates was fixed yesterday by a national union agreement.

The claim does not include a specific increase in basic rates although it does refer to the existence of a £3 an hour rate, on some sites for some crafts-men.

The four unions on the operative side of the building and civil engineering joint board are also seeking an extra week's holiday in summer, a 35-hour week and the abolition of what the unions say are penalty clauses.

This refers to instances for example where employers cut holiday pay—if workers fail to report for work immediately before or after statutory holidays—in an attempt to cut absenteeism.

The claim, due for settlement in June, also seeks substantial improvements in shift premiums and plus rates and a minimum overtime rate at double time.

The unions, who will meet employers later this month over pay, are also looking for improved travel, subsistence and tool allowances.

## ASTMS branch backs Tories

MR. LOUDON PARKIN, a 53-year-old technologist, of Plimmer, asked a High Court judge yesterday to rule that part of the 10p a week voluntary political levy paid by Harrow branch ASTMS members could go to Conservative funds and not, as the union contended, only to the Labour Party.

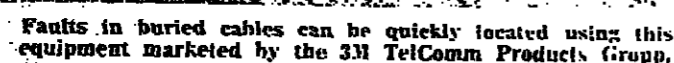
Mr. Parkin, backed by 16 branch colleagues, argued that union rules provided for one third of a branch's political levy to be returned to the branch to be used for its own political ends. In July, 1978, Harrow levy-paying members decided they wanted their money to go to the Conservatives.

The hearing continues today.

## Deadlock at hospital

A TWO-MONTH dispute over working rotas at the Royal Liverpool Teaching Hospital seemed deadlocked last night with the possibility of a large-scale walk-out by 1,000 ancillary staff.

## INSTRUMENTS



**LATEST** entrant to the underground pipe location market is 3M, which has just announced its Dynatel 573, a portable unit that will not only identify and trace a buried pipe but can also detect a cable sheath fault and determine its location even where there is a congestion of other pipes.

The transmitter and receiver units are transported together in rugged waterproof case and in addition a lightweight earth contact frame is supplied for sheath fault location.

The transmitter generates a 300 kHz trace signal which can be applied to the cable by direct connection, through induction (by placing the transmitter on the ground directly above the cable) or by close coupling with a split ring inductor.

A loudspeaker on the hand-held receiver emits a tone which enables the position of the cable to be found by observing a simple "to-from" meter. Standard null or peak methods are also available.

For depth measurement, the receiver is placed on the ground over the cable, adjusted, and then raised until a specific meter indication is given, the unit then being as far above ground as the cable is below.

A sheath fault is traced using the leakage to earth of the signal from the cable. By carrying a lightweight earth contact frame which is colour-coded in accordance with the direction meter, the operator can pinpoint the leakage to within two to three inches.

More from TelCom Products Group, 3M, United Kingdom, P.O. Box 1, Bracknell, Berks RG12 1JU (0344 583101).

AS THE sensitivity levels of modern communications receivers sink below the microvolt level, the likelihood of trouble from radio frequency interference looms larger.

Its presence will be obvious; finding where it is coming from, on vehicle mounted equipment for example, is less easy, which has prompted Evershed and Vignoles to introduce a rugged hand-held RFI detector for mobile radio applications.

RFI sources can generally be suppressed and screened to an acceptable level but after a certain point in service life, coatings and surface treatments can become loose or can corrode. Often, such faults will not

**MADE BY** Neotec Instruments in the U.S. and available in the UK from Henry Simon, P.O. Box 31, Stockport, Cheshire SK3 0RT (061-428 3900) is a colour measuring instrument using a microprocessor to provide accurate and versatile measurements.

The unit is called Digi-Color and is suitable for colour analysis in the food, pharmaceuticals, plastics, paint and textile industries.

Incorporating automatic self-standardisation, Digi-Color is easy to operate and no special training is needed. It is

POSTAL SCALES for the smaller office have been introduced by Pitney Bowes, The Pinnacles, Elizabeth Way, Harlow, Essex CM19 5BD (0279 267371).

This accurate unit, called model 4918 has a rate chart that shows first and second class rates up to 500 grams, including European and surface charges. The chart can be changed quickly and easily to accommodate rate changes.

The unit also acts as a check scale; its operator simply sets the sliding beam poise on the 60 gram division that indicates the start of the next charge rate; there is no need to visually check the weight of every single borderline letter and package—if it is 61 grams, the poise over-rides and the operator knows at once that the higher charge rate should apply.

The capacity of the 4918 scale is 'up to 500 grams, indicated at 10-gram intervals.

SOME 75 new trains on London Transport's District Line, now starting to come into service, will have data systems by Plessey.

Working on a data highway arrangement of a single two-core cable running the length of the train, the system has per-function outstations communicating with a control station in each of the driving cabs.

Only certain non-vital functions will be covered; the control station can interpret and transfer data sent from the outstations and can send control instructions back to them.

The outstations can also monitor their own condition, advising the control station of any change. The use of microprocessors in each equipment provides a flexible and distributed processing system and data can be analysed locally to minimise transfer of signals to and from the control centres.

Hardware at the outstation is identical, each function being determined by software; the specific program is selected by local links.

**PERIPHERAL**, integrated circuit devices for arithmetic that can be connected directly to the 8080, 8085 and 8088 microcomputers and to other general purpose processors with eight bit data buses, have been introduced by Intel.

The latter has been designed for use with the Toledo Scale and is designed for operation under hostile conditions. Known as the P-20, it provides a true weight output rather than the deviation from zero which is the more conventional method of checkweighing. The P-20 is a simple, rugged weighing device that is suitable for

**CANADIAN** company Onittek has recently developed a miniature light emitting diode (LED) which can be fabricated into a multi-diode flat panel for use as an alternative to cathode ray tubes or electro-mechanical devices.

One device produced as a joint venture between the U.S. Air Force and the Canadian Department of Industry is a

IN VIEW of the fact that the microprocessor has suddenly caught the public and the establishment by surprise after a barely ignored seven year period of nascency, even engineers can be forgiven for feeling that it is the answer to everything.

**WORKPIECES** up to 1150mm diameter and weighing 4000 kg can be handled by the German VT1100 CNC vertical turning machine, according to the company marketing it, N.C. Engineering.

## Senses high temperature

**HIGH PERFORMANCE** integrated circuit can be operated at 2.95 volts and the operating



ons will be covered; the control station can interpret and display data sent from the out-

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**NORTHERN IRELAND:** **Ballymena** Church St. **Ballymena** Church St. **Belfast** Royal Ave. **Coekstown** William St. **Larne** Main St. **Londonderry** The Diamond. **Omagh** High St. **Portadown** West St.

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## JOBS COLUMN, APPOINTMENTS

## 'Sheep with five legs, one doubly strong'

BY MICHAEL DIXON

"ONLY THOSE earning at least \$45,000 a year need apply," wrote management consultant Jo Jacobsthal, nonchalantly, from his office in Fribourg, Switzerland. By that, he added, he meant \$45,000 exclusive of fringe benefits in kind.

Since the person he is seeking for the managing Board of a European multinational is a technologist turned senior executive, it struck me that the \$45,000 stipulation might cut out a good many capable candidates from the United Kingdom, at least. So I rang up and put the point to him.

"Ah, I know you are all badly paid in the UK," he answered, trying not to laugh. But all the same, he felt that any applicant not already earning \$45,000 or more in money, would need to offer a highly cogent explanation as to why not.

"Here, you see, we are wanting not only the usual five-legged sheep, but one whose extra leg is of double strength," Mr. Jacobsthal added. What ever the deprivations of UK managers, he felt that such a creature with earnings as stipulated would doubtless be among the Jobs Column's international readership.

The recruit is needed to be responsible to the \$400m-turnover group's chairman for its internationally scattered pro-

duction of precision equipment and systems for industry and commerce, and also for its centralised research and development. The R and D, which accounts for about 4 per cent of turnover, is done at a site in the Benelux area where the new technical director will be based when not visiting the far-flung factories.

One of the required "legs" is managerial experience appropriate to a Board seat in a 5,000-employee group. A second is commercial-mindedness including familiarity with marketing. Another is capability of managing both a decentralised manufacturing operation and a concentrated R and D effort. A fourth is copious know-how in engineering, preferably electronic. And the extra "leg of double strength" is scientific ability sufficient to command the respect of the high-flying research staff.

So one can perhaps understand Jo Jacobsthal's thinking that if such a person is not earning at least \$45,000, then he or she must either have some clear reason for same, or be stark, raving mad.

Fortunately for UK readers still in with a chance, he has not added a further high hurdle in the form of a demand for skill in Continental languages. Fluency in English is the only linguistic necessity, although another major tongue would be

a help, especially if it is German. The age indicator is about 38-45.

For anyone who meets these requirements, Mr. Jacobsthal adds, the last thing likely to prove a problem in further negotiations is the pay and perks obtainable in the new job. Inquiries to him at European Marketing Systems, 5 Avenue Beaumont, CH-1700, Fribourg, Switzerland; telephone (0)37 24 32 30, telex 38152. Being unable to name the employer, he—like the recruitment consultant to be mentioned below—guarantees to honour any applicant's request not to be identified to the client until permission has been given.

## Sales director

"ONLY THOSE earning at least £25,000 a year need apply," says recruiter David Dumbelton, of the Dirk Degenerhart and Partners consultancy, about the sales director he seeks for a company in the double-glazing business.

Based in a pleasant city a bit more than two hours from London, the newcomer will be responsible to the managing director of the company for its whole sales and marketing activity. The job thus includes preparing marketing plans and dealing with advertising agents and other sales promotion specialists, making experience

of such activities, together with numeracy, important qualifications.

But still more important, I gather, is a record of personal success first in selling and then in sales management in a highly competitive market. And if the experience includes managing a largely self-employed sales force, so much the better. The age range is around 30-45. Rewards will consist of a negotiable combination of basic salary, commission, and equity share to a total which, Mr. Dumbelton will not disclose.

My own guesstimate would be a base salary of around £15,000 or so, with the rest attuned to raise the total to at least £40,000 or, for outstandingly qualified candidates, £50,000-plus. Inquiries to Mr. Dumbelton at 140 Sloane Street, London SW1X 9AY; he is out and about a lot, but telephone callers should be able to trace him by way of 01-780 0341.

## Free speech

"ONLY THOSE prepared to work for at most £10,000 salary need apply," says Mark Bonham Carter. But the job he is wanting to fill is, to my mind, very special indeed.

It is the directorship of the Writers and Scholars Educational Trust which exists to expose and combat restrictions on the expression of free thought, wherever and by whom-

soever those restrictions are imposed. The post is open because Michael Scammell, who has held it since the trust started in 1972, wants to concentrate on his forthcoming book on Alexander Solzhenitsyn.

Literary capability on the same scale is not essential in Mr. Scammell's successor. But an affinity for literature is required because the new director will be in continual contact with writers, both eminent and unrecognised. The latter variety include many who live under regimes of one sort or another which ban free expression, and whose work is smuggled to the trust's London offices. There it is published once every two months in a magazine called *Index on Censorship*, for which the director has overall editorial responsibility although the magazine's production is in the capable hands of assistant editor, George Theiner.

Among the other nine full-time and four part-time staff are Philip Spender, in charge of administration, and experts on the Middle East and Africa, Asia, and Latin America who produce research reports as well as contributing to the magazine.

Ability to manage the staff must be combined with ability to "exploit" the trust's strong council, says chairman Bonham Carter. The other 15 are David Astor, Robert Bernstein, Louis Blom-Cooper, Edward Crank-

shaw, Stuart Hampshire, Dan Jacobson, Lady Longford, Sir Roland Penrose, Peter Reddaway, Jim Rose, Evelyn de Rothschild, Lord Sainsbury, Mrs. J. Edward Sieff, Stephen Spender and Tom Stoppard.

I hasten to add that, by "exploiting" the council, Mark Bonham Carter does not mean squeezing them for more contributions than they make already. The £15,000 that the trust will need in addition to its already expected £60,000 income this year, will have to be found elsewhere, and the new director will be much occupied in finding it.

One source is increased sales of the magazine at home and abroad, possibly by cultivating small "agencies" of like-minded people in other countries. Another need is to make the trust and its activities far better known generally than they are today, by fund-raising and other public relations campaigns. So the director will have to be capable of drumming up popular support, and of doing so not least through the media.

"Apart from the opportunity to earn broadcasting and writing fees, and the abysmal salary," Mr. Bonham Carter says, "we can't afford to offer much more than the challenge." Written applications only to him at WSET, 21, Russell Street, Covent Garden, London WC2B 5HP.

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# The Container Industry

The world's container industry remains a growth business, with traffic increasing at more than 15 per cent a year. The container revolution has led to a major improvement in transport productivity, but its benefits are still a long way from being fully realised.

## Immense potential for growth

By William Hall  
Shipping Correspondent

IN THE history of transport, the container revolution, which started in the early 1960s, has probably had a bigger effect on the industry than the transfer of ships from sail to steam.

Virtually overnight it made many of the world's ports and ships obsolete. It led to the loss of thousands of jobs and a radical restructuring of the traditional shipping industry. It has also led to the emergence of a new breed of shipowner—the anonymous leasing company.

Today, something like 2m boxes are shipped around the world and container traffic has been growing at more than 15 per cent a year. In 1979, the world's ports probably handled around 30m boxes—more than double the figure in 1973. Furthermore, experts reckon that about 80 per cent of the traditional cargo liner trades will be containerised by the end of the century. To date only half of all the potential traffic has been captured so there is considerable scope for further

growth, even if world trade continues to stagnate.

The world's container industry remains a growth business, but like all growth businesses it occasionally suffers from growing pains—and this is what is happening at the moment. The heavy growth rates of the 1970s are starting to taper off, yet there is a considerable amount of new tonnage scheduled to come on stream over the next few years. The carrying capacity of the world's conventional container carrying fleet, for example, is forecast to rise by nearly a third.

Over the longer term, the transportation of containers around the world should be more stable than other sectors of the shipping industry, such as bulk shipping. However, at the moment the shipping companies are faced with massive over-tonnaging, fierce competition and rate wars on most of the important trade routes of the world. While this may be considered by the shippers as good, clean knock-about fun, if it continues for long periods it could prevent the full benefits of the container revolution being realised.

For the established shipping operators, the two main worries are the sharp rise in fuel costs and the strength of the outside competition which is threatening the stability of the shipping conference system. In the short-term, the rise in fuel costs is the more serious since it has made roughly half the world's container shipping fleet obsolete. Ships fitted with powerful steam turbine engines and designed to cruise at speeds of up to 27 knots can no longer compete with the slower, but more efficient, diesel ships.

Thus, shipowners are having to decide whether to fit new engines to ships which are less than halfway through their active life or build completely new vessels.

A large new container ship costs over \$80m these days, while the cost of new engines amounts to \$20m a ship. So, owners are opting for the latter. Nevertheless, it is not an easy decision to make, since the return on investment is far from certain given the fierce competition now in evidence.

### Heavy investment

In the early days of the container revolution some people considered that the heavy investment in new ships and specialised equipment would safeguard the container shipping industry from cut-throat competition. The entry costs were too high, it was argued.

However, while container shipping is a highly capital-intensive business it has become clear over the last few years that this has not deterred outsiders from entering. Cheap shipbuilding credits have encouraged overbuilding of new tonnage. In addition, the rise of the large international leasing companies has provided many would-be container shipping companies with the necessary entrance fee. Instead of buying ships and containers, they lease them.

The established liner operators have always faced outside competition, but there are reasons to believe that the current competition is stronger than normal. Some new operators, such as the Taiwanese Evergreen Line and Tsvi Rosenfeld's Antwerp Bulk Carriers, have scored some spectacular successes in winning important customers away from the ship-

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New technology	III	Leasing	IV

ping conference operators. While this has upset the status quo, many companies believe that the Trans-Siberian Railroad poses a far greater long-term threat. The TSR has creased off virtually all the growth in the Far East trade during the last three years and now accounts for around 30 per cent of all Westbound container movements and 25 per cent of Eastbound movements. The stated objective of the TSR is to carry half the Europe/Far East trade. It is considerably cheaper than conventional container ships and transit times compare favourably, in many cases.

If the TSR's growth continues at its recent pace, many of the established operators will be out of business by the end of the decade. However, any solution of this problem is up to governments. There is little the shipping companies can do to protect themselves.

Already, there are signs that the shipping conference system is coming under considerable strain. The influence of formerly powerful conferences such as the Far East Freight Conference is being eroded by outside competition. And Sea-Land's recent decision to pull out of many of the conferences in the Pacific trade was another tell-tale sign that all is not well.

Traditionally, conferences have worked on the principle of charging what the traffic can bear. This is now proving to be their Achilles' heel. The chairman of OCL, Sir Ronald Swayne, recently said that the difference between the highest and lowest container rates was a factor of seven.

If all rates were brought down to the lowest level on OCL's Australian business, it would have to give up operating. Similarly, if a mean rate was quoted which would maintain the shipowner's revenue, the lowest rates in the Australian trade would need to be doubled and much of the traffic for which freight costs represent between 12 per cent and 20 per cent would disappear.

### Pricing policies

While these arguments are sound enough, the differential pricing policies mean that a determined outsider can win custom by quoting cut-price rates for high-value merchandise.

For the shippers, as opposed to the shipowners, a rates free-for-all on the world's main container routes may seem attractive but if prolonged it could lead to established operators being driven out of business and the overall quality of service declining.

Hapag Lloyd, Germany's lead-

ing shipping company, has calculated that shipping services on the Atlantic trade are costing shippers some 20 per cent more than they need to, because of uneconomic competition.

While the container revolution has led to a major improvement in transport productivity, its benefits are still a long way from being fully realised. Restrictive practices at many of the world's leading ports are hindering the most efficient use of containers.

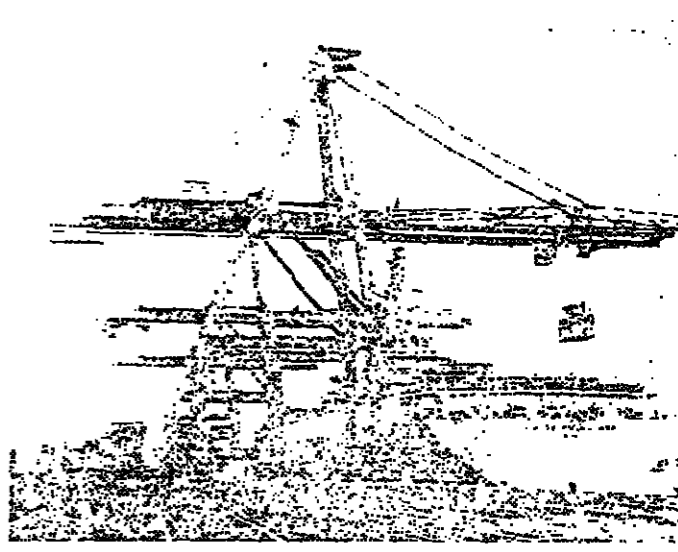
The idea of inland ports and full integration of transport systems is still far from developed. Many operators still believe that the major cost element is the transportation of a container by sea and forget to examine the costs of land transport at either end.

During the next decade, shippers will concentrate on developing a through transport system and view the use of the container in the light of such things as packaging costs, warehousing and inventory control.

While the technology is in place, the commercial development of the container revolution has a long way to go. Eventually, the focus on the ship and the port should fade as operators perfect their integrated transport systems.

In the short-term, the rise in fuel prices and land-based transport costs have meant that shippers are having to pay much more attention to such mundane matters as the most efficient ways of stowing goods in a container.

Another matter receiving attention is the large amount of water being carried around in containers. By freeze drying or powdering commodities, some shippers can also reduce their shipment costs.



Containers for the Far East being loaded at Southampton's Prince Charles Container Port, aboard the "City of Edinburgh," operated by Sea Line Containers. Southampton is Britain's principal deep sea container port, handling more than 200,000 units last year.

### WORLD CONTAINER ROUTES

	Annual traffic capacity*	No. of ships	Vessel capacity†	% of world fleet
N. Europe-ECNA‡	1,532	46	53	13.7
WCNA§-Far East	1,468	74	83	20.6
Europe-Far East	988	41	93	22.9
ECNA-Far East	329	24	35	8.6
Europe-Australasia	263	21	33	8.2
Europe-Middle East	242	18	18	4.4
Far East-Australasia	206	12	12	3.1
Europe-South Africa	186	5	12	3.0
Total deep-sea	6,184	302	402	100.0

\* WCNA—West coast, North America. † ECNA—East coast, North America. ‡ Capacity in '000 TEUs (20 ft equivalent units). Source: H. P. Drewry (Shipping Consultants), 1978.

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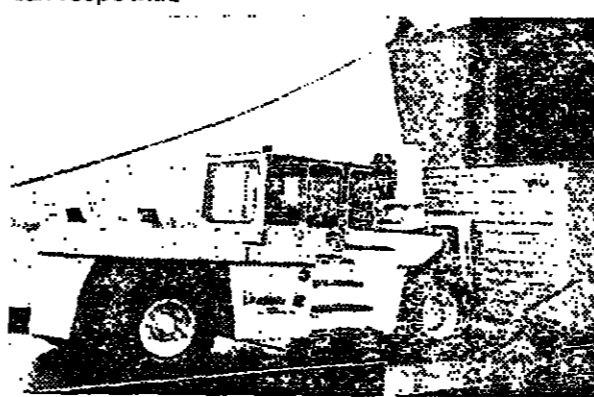
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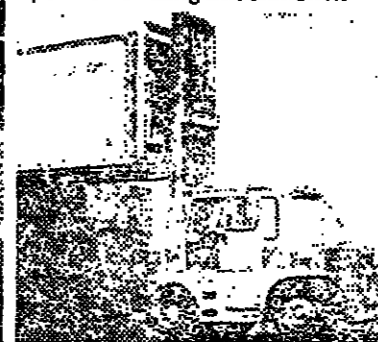
### Low-profile Ro-Ro

Lansing Henley Hermes 25TR is rugged, compact and powerful—and its 2875mm (113") height gets it into many two-deck spaces that other trucks can't cope with.



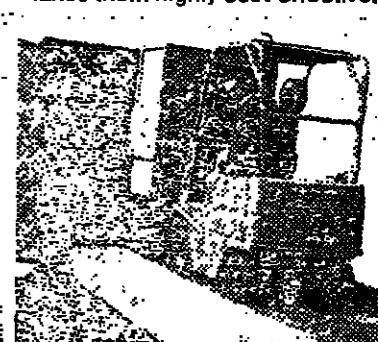
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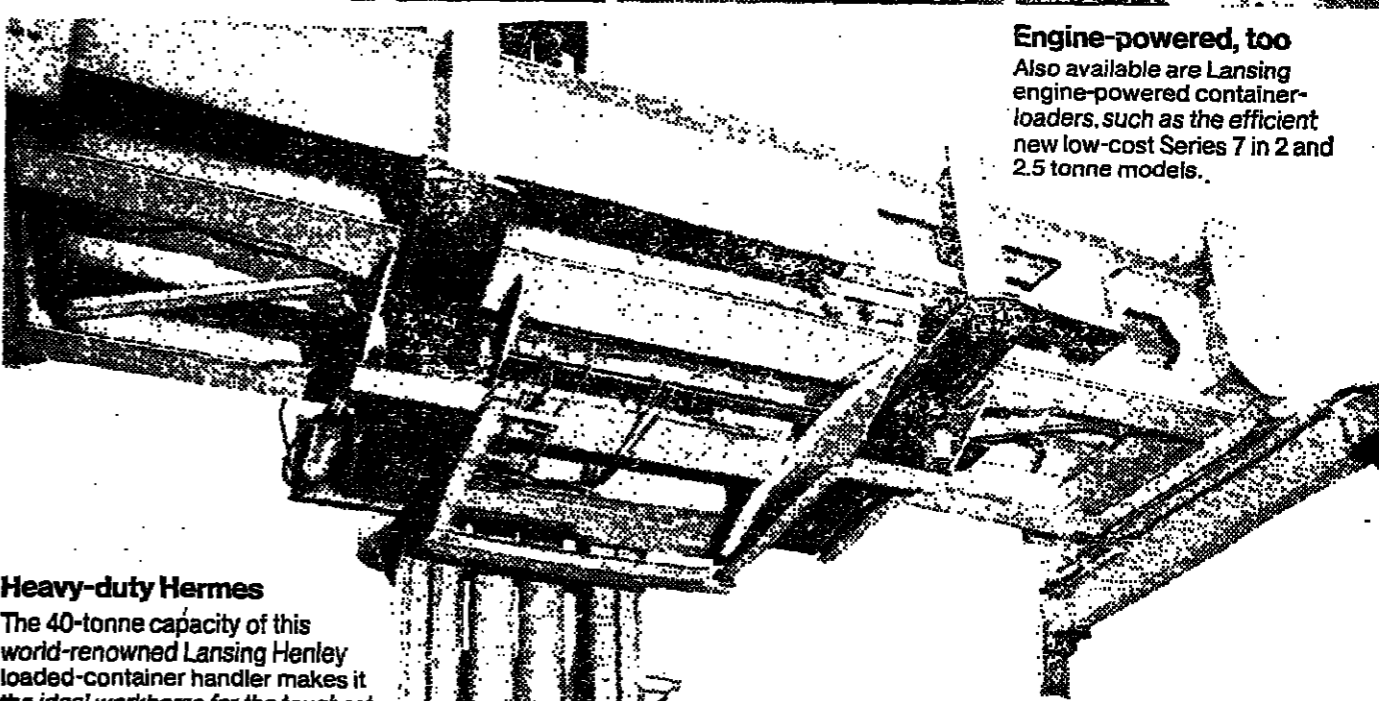
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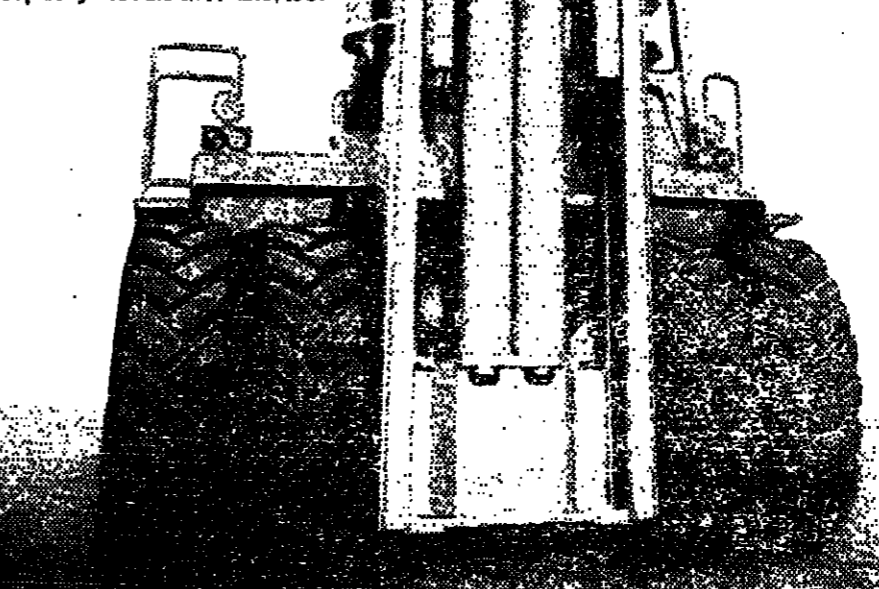
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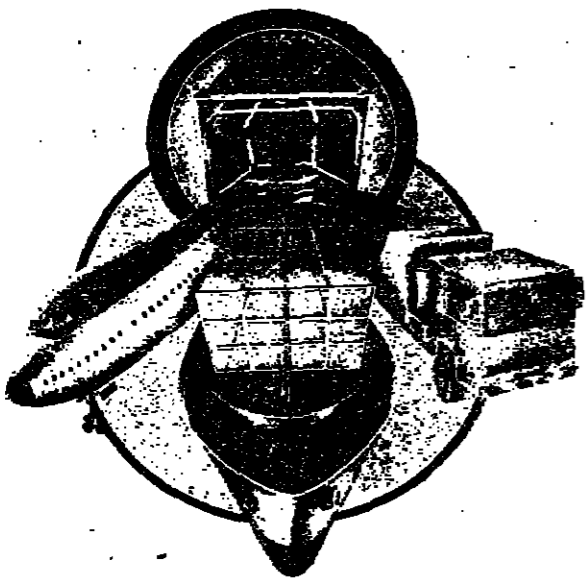


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## THE CONTAINER INDUSTRY II

# Pressure on labour relations

TRADE UNION officials are convinced that the relative peace in the container industry over the past few years is under considerable pressure and could break down at any time. They argue that employers' optimism is based on false premises and that conditions have not really changed since the mid-1970s.

The problems of labour relations in the container industry are linked to those of the dock workers. Employers and workers at almost every stage on the freight handling chain, from the time a ship ties up to delivery to the retailer, are dependent ultimately on what happens at the docks.

The problems there were seen as crucial by both the industry and the Transport and General Workers' Union at the time of the Dock Work Regulation Act's introduction in 1976 and the 1978 Dock Labour Scheme.

The two-year struggle started with the Act and finished with the union's defeat over the practical details of the Dock Work scheme in 1978. The scheme, if passed, would have meant the extension of the employment of registered dockers to handle all cargo within a half-mile corridor extending inland from the port.

Dockers felt that they needed the guarantee of handling work because of the dramatic shrinking of the job market caused by containerisation. The container revolution in the 1960s and 1970s has brought a reduction in the numbers employed in the docks, from 130,000 in 1960 to 76,000 in 1976. The National Ports Council in a report last month forecast a further drop to 55,000.

The decline in the amount of work in the docks is mirrored by a working guide the National Ports Council uses to measure the effects of introducing a container agreement. The

Council says that one man in a container depot can do the work of seven or eight in non-containerised ports.

This reduction over the past ten years has meant that the collective arrangements concluded by the Transport Workers have been overshadowed by manpower cut backs. The development of depots outside the dockland areas exacerbated the general insecurity, although employers argued it meant increased employment and an economic use of resources.

The container industry's confidence was hit severely in 1976 when dockers' members of the union blocked the lorries of about 150 haulage companies serving container depots. Even more striking was the incident, in 1972, when London dockers were jailed under an order of the then National Industrial Relations Court over the picketing of a cold store plant.

To prevent such union squabbles the Transport Workers persuaded the Government to introduce its Dock Work Regulation Act in 1976. The Act has enjoyed an unfinished status because of the changing political fortunes of the period and the uncertainty over the state of the law has led to trade union worries.

### Consultations

The Government is engaged in consultation with the unions and the cargo handlers over implementation of the 1976 Act. Mr. Patrick Mayhew, Parliamentary Secretary with responsibility for legislation at the Department of Employment has met both sides for tentative discussions about the regulations on dock work. The Department of Employment says it will be some time before a decision is reached



The container revolution has brought a dramatic shrinkage in the job market for dockers. Above: Atlantic Conveyor container ship being loaded at Le Havre

because of regional differences.

In general, the Government remains opposed to the idea of the dock labour scheme, which provides the cornerstone of the move to give container work to dockers. But an important question over this attitude was raised by the decision in November to add Hunterston on the Clyde to the list of about 200 dock labour scheme ports.

The dock scheme has strengthened the union's negotiating role, with all dock work done by registered dock workers in the main and the registration of employers. Ports outside the dock scheme with strong container traffic, such as Dover, Portsmouth and Felixstowe, have less tight job security and a degree of greater flexibility.

Both unions and management now accept that the container revolution has come to stay. Union tactics are to try to secure the strongest possible deal for their members with tough bargaining. The Port of London Authority, which has increasingly shifted the centre of its activities to Tilbury and further to be nearer the sea, estimates that the wage rates

for dockers in containerised work is about 30 per cent higher than for dockers working in the declining enclosed docks system.

The authority says the higher skills required of the dockers in handling a wider range of machinery account for part of this differential as does greater productivity, but a high proportion is due to the price the employer had to pay for containerisation's introduction.

In Liverpool, the Mersey Docks and Harbour Company, the port's operating authority, prides itself on consultation procedures introduced to involve unions in discussions and decisions over working practices and new equipment. The harbour company says this has led to a good working relationship and acceptance by the workforce of the value of the container industry.

One of the main pointers to the employers' hope of a trouble-free period in the industry was the agreement reached over the Didcot inland container clearance depot. Southampton dockers, after almost a year of discussions, agreed in December to allow freight operations

although the agreement may also be extended to the rail terminal within the Didcot depot.

Leaders of the dockers' section of the Transport Workers have urged the Government to clarify the position over container work that is to be dealt with by their members. They have emphasised that nothing has changed fundamentally since the last round of union disputes and the position could be made even worse by the downturn in economic activity expected this year.

At present, the handling of freight containers can be done by any group of workers and many employers have found it cheaper and more convenient to set up premises outside dockland. Transport Workers' officers say there has been an amount of cowboy practice in the industry and this has not altered since the mid-1970s. One dispute could cause the whole position to deteriorate markedly and very quickly, they say.

The prospect of intra-union conflict with its particular intensity and destabilising effect on industrial relations is a possibility both employers and unions view with horror. However, the Government does not intend to rush through any measures which would tacitly expand the dock labour scheme. Employers, notably the Cold Storage Federation, have strongly and consistently opposed the dock labour scheme's imposition on the industry.

While the union argues that the introduction of a corridor will alleviate the problems caused by the redundancies stemming from containerisation, the employers are afraid of the monopoly power this would give the unions. They also say it would be unfair for a dockworkers' union to control jobs

## THE WORLD'S TOP 10 CONTAINER PORTS

	TEUs	Annual % increase
New York	2,180	9.9
Rotterdam	1,594	21.1
Kobe	1,447	6.4
Hong Kong	1,226	9.7
San Juan	1,112	41.4
Oakland	882	12.5
Seattle	645	6.9
Hamburg	609	27.4
Bremen	576	13.4
Kaohsiung	570	61.5

\* 20 ft equivalent units.  
Source: Containerisation International (1978 figures).

that, economically, should be located inland.

The fundamental problem in labour relations in containers remains unanswered: should the workforce at the point of entry dominate and control the distribution, particularly in view that its numbers are declining? The question takes on an added twist when the people who are doing container jobs inland are also members of the same union.

The Government is caught in a difficult position over what it should do when it has completed its consultations, possibly by the end of the year. A decision not to introduce a corridor means the continuation of the possibility of a Transport Worker's strike in. The alternative—to introduce some sort of Dock Regulation scheme—would go against all the Conservative Party's pledges and attitudes while in Opposition.

Gareth Griffiths

## WORLD CONTAINER SHIP CAPACITY

in '000 TEUs (20 ft equivalent units)

	1976	1977	1978	1979	On order	As a percentage of existing fleet
Full container	348	387	459	510	148	29
Part container	23	23	54	78	31	40
Container/Ro-Ro	53	60	88	122	63	52
Container/barge	24	24	23	25	2	7
Total	448	493	624	734	244	33

Source: H. P. Drewry (Shipping Consultants).

## Problems for operators

AS A GENERAL RULE, liner shipping services are the last to feel the effects of a shipping recession and the last to recover—a trend that is certainly true at the moment.

Rates for dry bulk carriers have more than doubled over the past year but the liner trades (roughly half of which are containerised) are still battling with the worst recession since the 1930s.

Overseas Containers (OCL) is Europe's biggest container shipping company, and therefore provides a good barometer of the industry's fortunes. In 1976-1977, OCL made pre-tax profits of £53m. Then, in 1977-78 it made profits of £36.7m, and stockbrokers are now forecasting that its profits for 1978-79 and 1979-80 will fall to £27m and £10m respectively.

At the other end of the spectrum, Bell Lines, one of the few specialist short sea container operators, has reported that its turnover in 1979 rose by nearly a third, but profits were the lowest for five years. Wherever one looks around the container shipping business, operators are finding it tough going.

Last year there were no spectacular collapses to match the demise of the Pacific Far East Line in 1978, but if the recession continues to drag on for much longer, other shipping companies could go to the wall. Already, one or two small operators such as Bavaria's Overseas Continental Container Line has had to "temporarily" suspend their container shipping services.

There are four major problems confronting the established container shipping operators. The first, and most viable, is the rather embarrassing fact that roughly half the world's large container fleet has been made obsolete by the latest oil price rises.

The second problem is that outside competition from both conventional and less conventional sources, such as the Trans-Siberian Railway, has become increasingly important and this competition is undermining the stability of the shipping conference system. Finally, there are the twin problems of massive over-tonnaging in certain trades, plus the sluggish growth of world trade generally.

### Oil prices

All four problems are interconnected and cannot be viewed in isolation. The most pressing problem for operators, however, is the rise in fuel costs. A large proportion of the container ships now in use were built before the first of the OPEC oil crises, in 1973. They were designed to cruise at up to 33 knots, because speed, rather than fuel economy, was a key factor in successful container shipping operations.

As a result, the sharp rise in fuel prices has hit shipping companies harder than most. During the last six years bunker costs have jumped from \$18 per ton to \$190 per ton. For a large container ship, burning 400 tons a day, this is equivalent to an extra \$25m a year.

Many of the ships built before 1973 were equipped with powerful steam turbines. Because of the sharp rise in oil prices, these are no longer economic. Outside competitors operating cheaper, diesel

powered vessels, burning only half as much fuel, are making inroads into the traditional markets dominated by the conference lines.

A growing number of the large operators are being forced to re-engineer their ships with cheaper diesels. This is both a costly exercise (up to \$20m apiece) and means that ships have to be taken out of action for at least six months at a time.

Given the poor financial returns that are being achieved, many container ship operators are finding it difficult to justify a decision to re-engineer, since for some, it means paying almost as much as the original cost of the ships.

### Tough competition

OCL and Ben Line Containers have already taken the plunge. Others will soon follow or face being driven out of business by the competition. In the old days, shipowners could rely on the shipping conferences to stabilise the cyclical nature of their business. However, this is no longer always true.

A number of outside competitors have started to appear. Some are fringe concerns that are here today and gone tomorrow. However, there are others that pose a longer-term threat. The two names most frequently bandied around are those of the Taiwanese Evergreen Line and the Mr. Tavi Rosenfeld's ABC Containerline. Both pose special problems for the established shipping fraternity.

Of the two, Evergreen Line is probably the biggest thorn in the side of the established operators. It has been rapidly expanding its fleet and its carrying capacity should overtake that of OCL over the next year or two. Its fleet is considerably more modern and fuel consumption give it a competitive edge. Its latest ships—four 1,800 TEUs (20 ft equivalent units)—will be operated by a crew of 16 which compares with figures of 36 for large rivals, such as those operated by OCL. One major shipper, Ford (UK) has already deserted the conference lines for Evergreen.

The other controversial figure among the established operators is Mr. Rosenfeld and his ABC Containerline. He has a lucrative long-term contract for the transportation of mineral sand from Australia to the U.S. Gulf and is using this to subsidise the carriage of containers, as well. Some operators see the combined bulk/container concept as the shape of things to come. Others argue that it is too inflexible and claim it cannot provide the same level of service as a "pure" container operation. Nevertheless, ABC has been under-cutting the conference operators and feels sufficiently confident to plan the introduction of another six bulk/container ships.

The other big problem for the established operators is the serious over-tonnaging that is now emerging. There are different estimates of how many pure container ships there are around. According to H. P. Drewry (shipping consultants) there are just over 400. Lloyd's

Register of Shipping puts the figure in mid-1979 at 594 or around 10m registered gross tonnes. In addition, there are another 300 or so part container/roll-on-roll-off vessels.

During the last few years the world's container fleet has been growing by around 15 per cent a year. In addition, there is a big backlog of new orders which will ensure that it will continue growing at much the same rate in 1980 and 1981.

According to Fairplay's World Ships on Order, there are 303 container ships of 4.1m dwt due for delivery over the next couple of years. This is equivalent to 7.2 per cent of the total world ship orderbook. And while this may not sound a lot, it must be remembered that container ships only account for 23 per cent of the world's tonnage.

H. P. Drewry estimate that during the next three years the world fleet of full container ships will increase by nearly a third (based on carrying capacity). Given the sluggish outlook for world trade and the fact that most container trades

## WORLD CONTAINER SHIP FLEETS

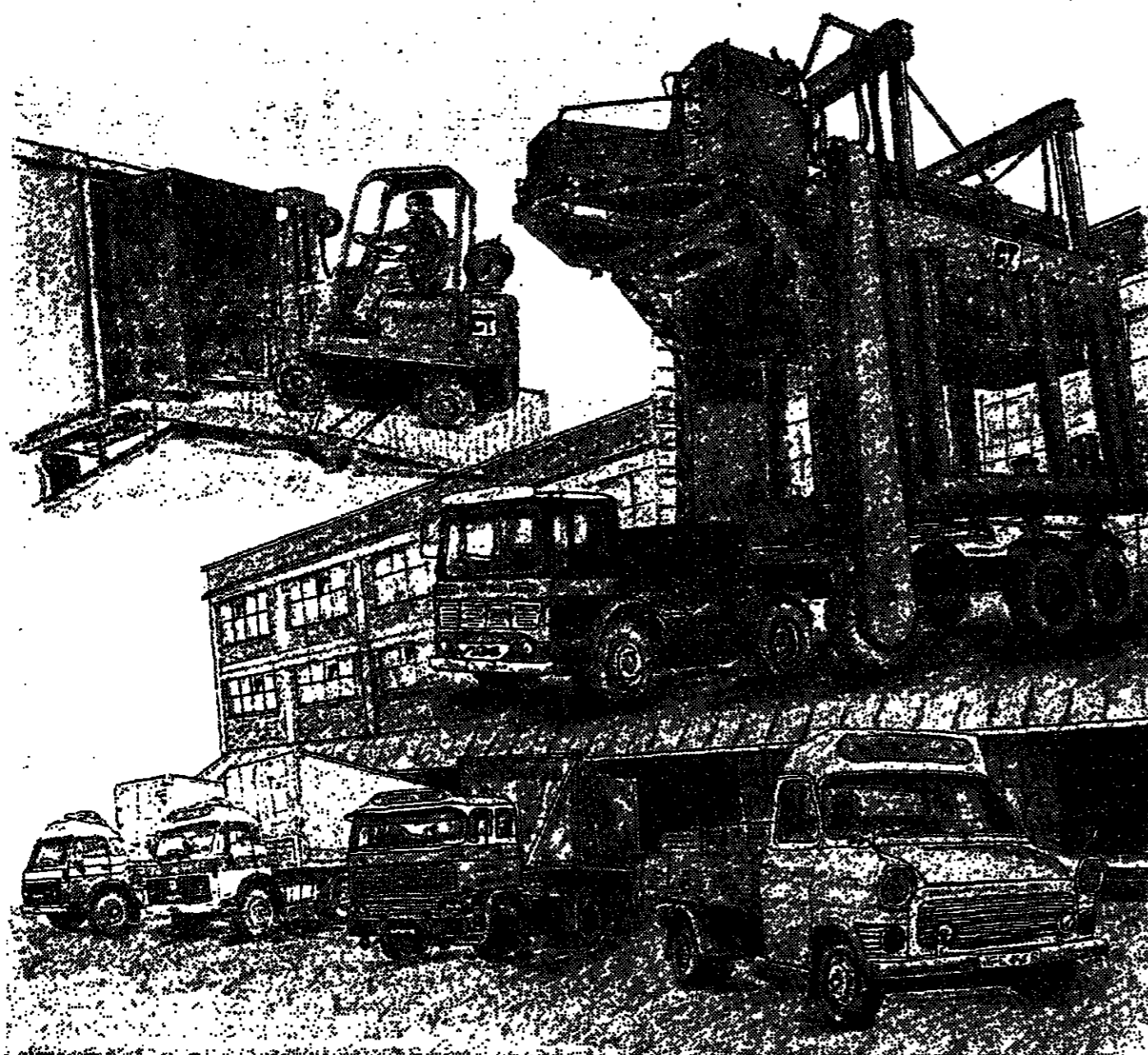
	No. gross tons	'000
UK	85	1,773
U.S.	95	1,786
Japan	58	1,392
Germany	45	1,029
Denmark	16	489
France	16	391
Liberia	33	344
Singapore	33	339
Netherlands	13	313
Panama	35	282
Other	164	1,578
Total	594	9,986

Source: Lloyd's Register of Shipping.

have reached maturity, the outlook for the container shipping companies is far from encouraging.

William Hall

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# Automated handling provides hope for manufacturers

AUTOMATION OF container handling is the target of much of the new technology now being developed, often based on microprocessors, for the international container industry.

Progress in the field is essential, particularly in current market conditions where container capacity—in the manufacturing works and in container using companies—has outstripped demand in the trough of one of the industry's traditional cycles of economic activity.

In Britain, the trading position for the 15 main manufacturers of containers and their customers has slumped dramatically. Manufacturers reported towards the end of last year that orders for the year were almost a third less than for 1978.

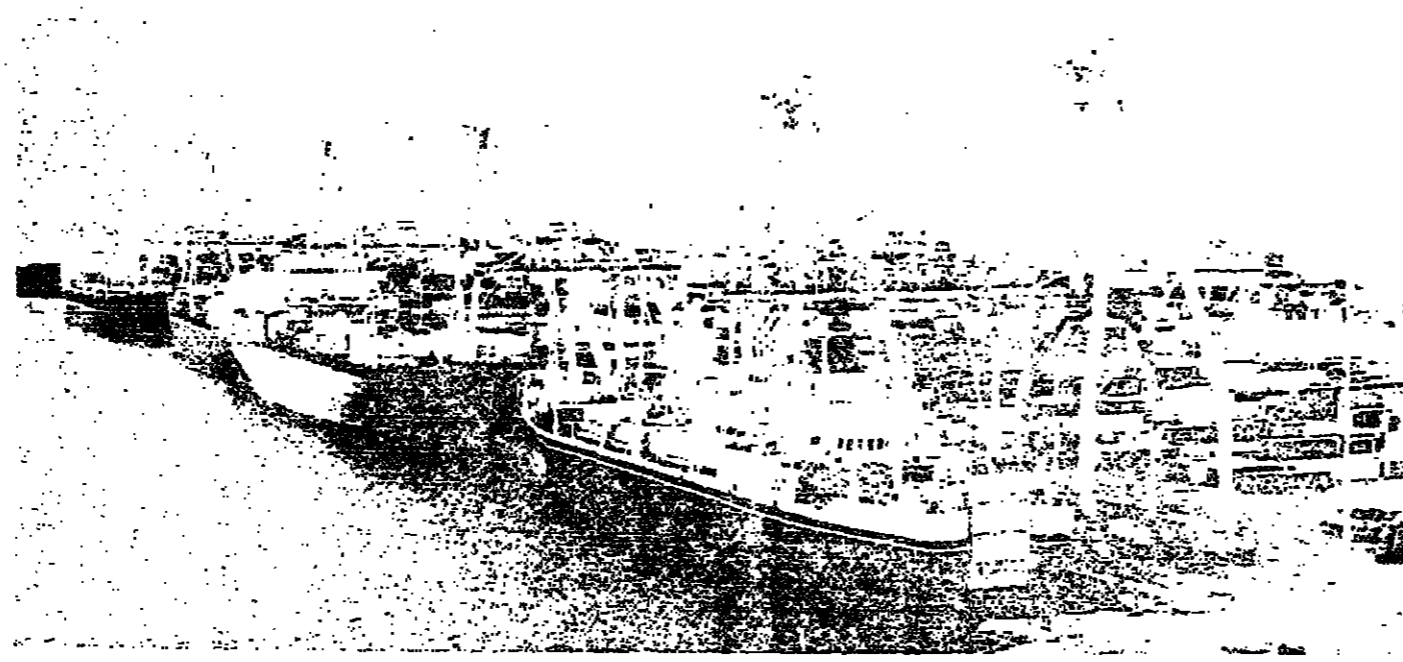
The rising value of sterling against most other world currencies has hit exports of containers. But foreign competition, particularly from the developing nations of the world, and an increase in the use of technical advances in the more prosperous developed nations, have also had an impact on the British industry.

One of the essential steps towards ensuring efficient container handling is to try to achieve maximum utilisation of existing equipment—containers and the cranes used for handling at docksides and inland ports.

An advanced example of this is being installed in Seattle, U.S. The technique involved is known as a "computer-based crane monitoring system." It is designed to increase the efficiency of maintenance operations where these are unavoidable, to reduce maintenance requirements through more efficient working and to extend the life of equipment, as well as to increase the availability of equipment.

The technique uses a computer to monitor the output of a series of sensors located at crucial points around the crane. Motors, generators and vital structural parts of the crane are all wired with sensor equipment, and as many as 70 points are covered.

The sensors provide the computer and the maintenance engineers with a constant flow of data on oil temperatures and pressures, crane engine speeds, hydraulic oil pressures and general vibration which can shorten the life of components.



Liverpool's Royal Seaforth Container Terminal

and lead to premature crane failure and unplanned stops in container-handling operations.

A remote terminal unit, using electronic processing technology, is designed to analyse incoming data, but also acts as a link between the crane sensors and the so-called "central station"—based on a small computer which finally makes possible an analysis of use to container handling management.

## Relevant data

The central station unit provides detailed maintenance logs and reports as well as analysing, storing and displaying all data relevant to the improved maintenance of each container handling crane.

Of particular value to management are the comprehensive reports of individual crane performance. These are consolidated over a period, and management is given an accurate record of operational time variations from crane to crane.

Further analysis of these records enables management to identify those cranes that are not performing satisfactorily—and the reasons for the poor performance.

The system has the potential for avoiding disorderly downtime on cranes and enabling management to start a preventive maintenance programme on the basis of known facts.

about the container handling cranes and their components.

In Britain, Freightliner, the British Rail container transport subsidiary, is studying a technique which could introduce much-needed flexibility into container-handling operations without the need for more terminals.

The technique is based on a "container transfer vehicle." This is a rail-mounted vehicle which can be used to transfer containers from rail to road vehicle, from train to train, or on to a platform or the ground.

The complete system is self-supporting and can thus be used at any point on a railway line. This clearly opens up the possibility of a changeover of a container from road to rail or vice versa at any point where a container lorry has access to a rail line. Containers are now normally handled only at road/rail terminals equipped with high capital cost overhead cranes.

The system may become invaluable for Freightliner if the British Government decides to increase the maximum permitted weight of lorries when the Armitage inquiry, now looking at the possibility, has reported in the summer. Higher weight lorries may pose a threat to Freightliner's rail operations, particularly if a new weight, embracing a full loaded container, is permitted on British roads.

Freightliner has examined proposals for a road/rail container transfer system from British Rail research and from West Germany.

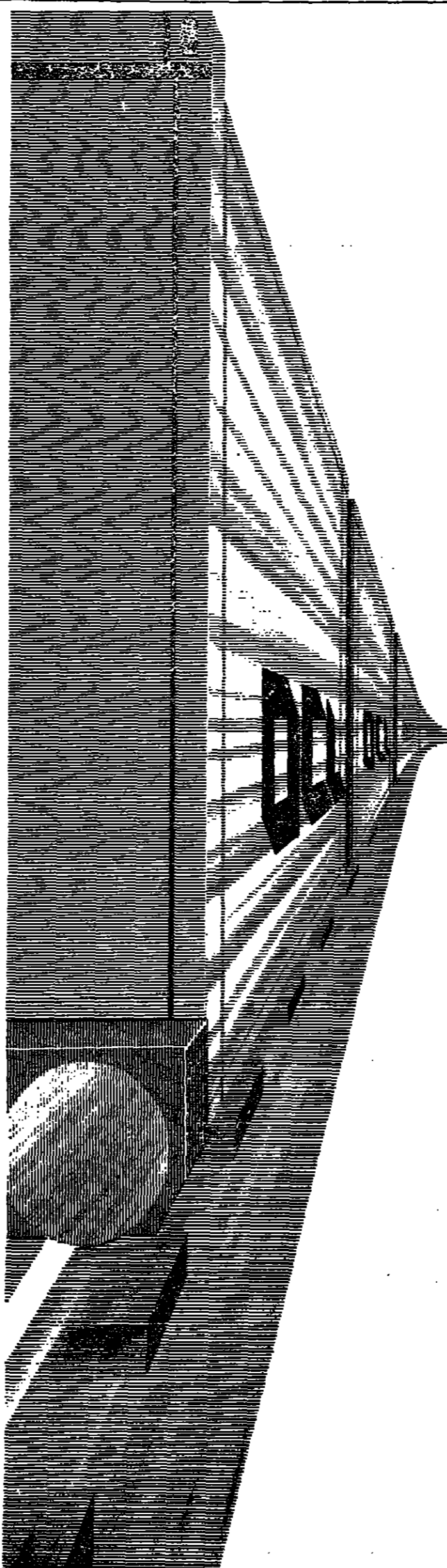
The German project—known as the ULS container transfer system—was conceived by the West German Ministry of Research and Technology. The development contract was shared between Fordor Technische Forschungsgesellschaft and Verkehrswissenschaftliches Institut. A prototype was exhibited at a transport equipment exhibition last year. PFG is to continue development of the work with M&K Kiel.

The ULS system, like the

British Rail proposal, is designed to transfer a loaded international size container from a rail car to lorry or vice versa. The project for the six axle wagon came from a diesel hydraulic system.

The British Rail research concept—which is designed ultimately to improve the competitiveness of rail container systems against competition from road transport—is being developed to the hardware and systems design stages. The proposed rail-mounted transfer car may cost approximately £250,000 if put into production.

Lynton McLain



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## An unsettled year at Freightliners

FREIGHTLINERS, the British Rail container transport subsidiary which operates a fleet of 7,000 containers, is likely to show a £1m trading profit for last year, despite a £400,000 loss for the first six months.

The loss was attributed to the strike by drivers employed by the Road Haulage Association's member road transport companies. The strike cut Freightliners' expected revenue by over a third from £1m forecast to £5.8m. This resulted in a trading loss of £1.6m for the first two months of last year.

Mr. Cyril Bleasdale, the managing director of Freightliners, however, said that the company's turnover had recovered from the second quarter last year and in the second half of the year turnover rose by between 4 and 7 per cent compared with the same period in 1978.

The unsettled year came at an unfortunate time for Freightliners. In 1978, it had once again been forced to move its corporate home. The Transport Act 1978 called for Freightliners to be transferred from the State-owned National Freight Corporation back to British Rail, its original owners.

The "Freightliner" concept in Britain had been introduced into British Rail in 1965, with the establishment of a system of terminal-to-terminal container trains.

Union drivers last winter ripped the surface of what would otherwise have been a smooth transition in its first full year back in British Rail.

Freightliners made a trading profit of £1.2m in 1978 but this was after allowing for the financial restructuring of the former parent, the National Freight Corporation and the transfer of the container company back to BR.

On a basis of no restructuring, the trading profit would have been £1.4m in 1978, compared with £1m in 1977. The company's revenue rose from £46.1m in 1977 to £51m in 1978 and Freightliners expects to report a turnover for 1979 of £60m.

The forecast turnover for this year is around the £74m mark.

## Confident

In the longer-term, the company is confident that the continuing rise in the price of fuel, especially diesel fuel for lorry transport, will favour its integrated road/rail unit container transport system.

However, Freightliners is not content to wait only for this change to come about, although Mr. Bleasdale is certain that the rising price of fuel has started to swing business away from the roads his way.

Behind these structural changes in haulage arising from the fuel increases, Freightliners is steadily concentrating on developing the side of its business based on maritime trade. The basis for this mar-

keting strategy is clear. Britain's gross national product is growing at a slower rate than that of world trade in general.

Another bonus arising from a concentration on this sector as the most profitable part of Freightliners' business, is that few of their containers are involved.

The company estimates that UK-based trades accounted for 53 per cent of its turnover in 1974. By this year the proportion of turnover coming from this sector is expected to have fallen to 43 per cent, with the balance coming from the handling of containers from overseas.

Nevertheless, the rising price of diesel fuel and the possible impact that may have on the popularity of a reliance exclusively on road transport, remains one of the most significant factors likely to determine Freightliners' fortunes in the 1980s.

Mr. Bleasdale said last month that he estimated that for every 10p increase in the price of diesel fuel, Freightliners stood to gain an estimated, potential increase in revenue of 1 per cent.

The validity of this formula is likely to be severely tested in the coming months as trade slackens further in Britain and other parts of the world, with a corresponding decline in the total volume of freight available for transport.

Lynton McLain

## WORLD CONTAINER TRAFFIC

in '000 TEUs (20 ft equivalent units)

PORTS	1973	1974	1975	1976	1977	1978
North America .....	4,989	5,449	5,569	6,094	6,102	6,802
North Europe .....	4,353	4,890	4,729	5,431	6,349	7,221
Japan .....	1,596	1,906	1,867	2,380	2,706	2,917
Australasia .....	695	761	815	827	1,019	1,075
Sub-total .....	11,634	13,007	12,982	14,743	16,181	18,017
Far East .....	1,051	1,538	1,892	2,643	3,248	3,859
South Europe .....	691	815	925	1,289	1,412	1,675
Mid-East+Nigeria .....	123	150	157	330	714	1,277
Others .....	690	724	1,165	1,264	1,497	2,275
Sub-total .....	2,557	3,238	4,140	5,517	6,873	9,087
Total .....	14,192	16,246	17,122	20,260	23,054	27,105

Source: Containerisation International.

## WORLD'S TOP 10 CONTAINER PORTS

1978	1979	% change
2,160	2,160	0
1,584	1,584	0
1,447	1,447	0
1,220	1,220	0
1,112	1,112	0
682	682	0
649	649	0
600	600	0
576	576	0
570	570	0

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Containerisation International (1978 figures)

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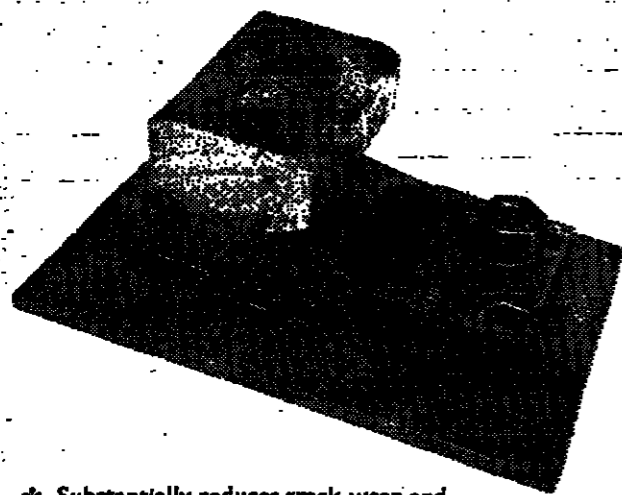
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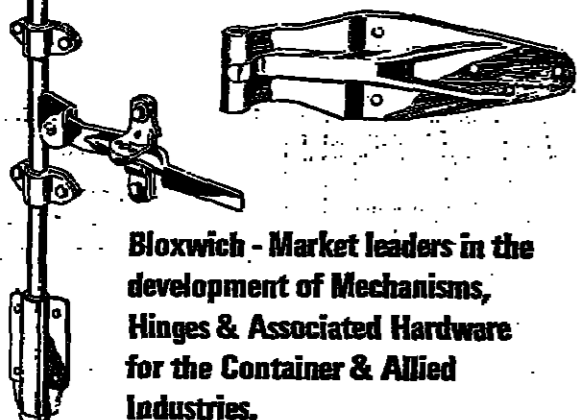


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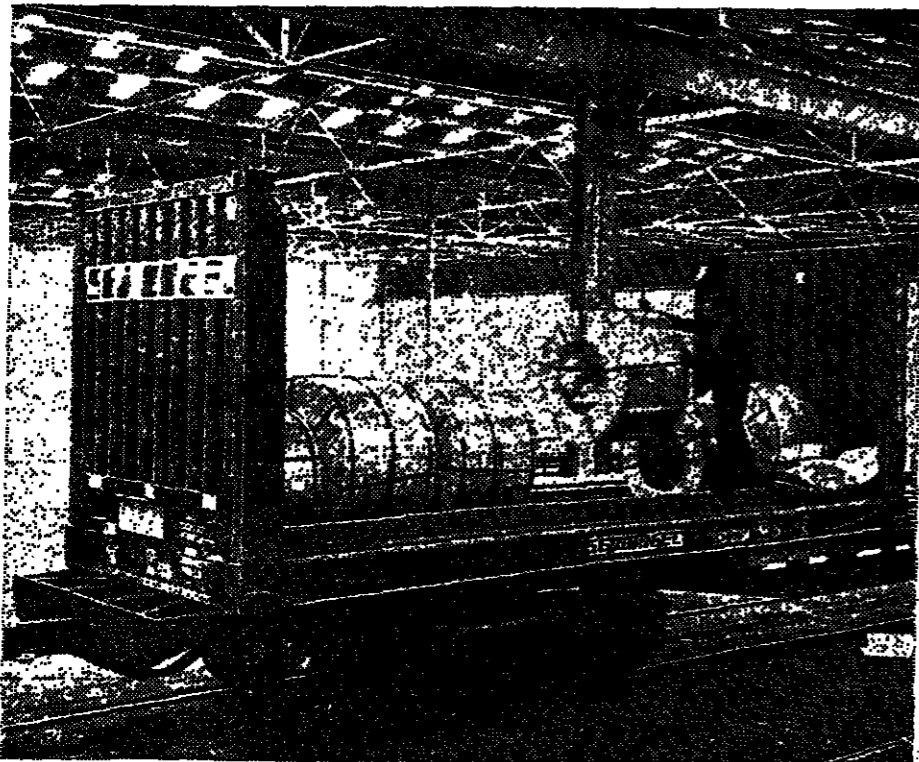
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## THE CONTAINER INDUSTRY IV

# A steady increase in air cargo

AIR CARGO traffic continues to expand. According to the International Civil Aviation Organisation, during 1979 the scheduled airlines of the 144 member states are estimated to have flown 27.7bn tonne-kilometres of freight, or about 7 per cent more than in 1978.

While slightly lower than in each of the three preceding years, the 1979 growth helped to sustain an average annual expansion of between 9 and 10 per cent for the decade as a whole, some good years in the early and latter parts of the decade more than offsetting a brief period of very slack growth around the time of the first oil crisis in 1973-74.

Several factors lie behind this growth, which is expected to continue into 1980—although many in the air cargo business are looking with growing concern at the continued rise in fuel costs, which is now in fact the biggest single worry for the entire world air transport industry.

These rising costs will have to be reflected sooner or later in dearer cargo rates, as they are also in passenger fares, and the big question is just how far such increases in rates will deter either existing or would-be shippers.

One of the major factors behind the past cargo growth, and one likely to stimulate expansion in the future, is the increasing awareness being shown by airline managements of the value of air cargo, and the prospective contribution that it can make to overall revenues.

The need to maximise revenues from all sources at a time of financial squeeze, created by continued pressure from consumers for cheaper rates despite continually rising costs, is causing many airline managements to look more closely at their cargo activities.

This is reflected in growing competition, especially among the scheduled airlines which carry substantial tonnages of cargo in the belly-holds of their wide-bodied passenger airliners.

The rapid spread of this type of aircraft throughout the world during the past decade has been another major factor behind the growth of cargo traffic. By the end of 1979, well over 400 Boeing 747s alone were in service world-wide, with a backlog of another 100 or so awaiting manufacture and delivery, and with orders still flowing in.

If the increasing numbers of both Lockheed TriStars and McDonnell Douglas DC-10s are also included, the world fleet of active, wide-bodied jets in service at the end of 1979 was about 800.

### Wide-bodied jets

By far the majority of these jets are in the fleets of the scheduled passenger airlines, creating a massive cargo potential that those airlines are now increasingly exploiting. These wide-bodied jet holds are eminently suitable for containers, which can be pre-packed by freight forwarders with a wide variety of goods, and as a result, along with the development of the wide-bodied jet, there has been a rapid growth over the past decade in the number and importance of the freight forwarders in the air cargo business.

Increasingly, the airlines, as costs of all kinds rise, are tending to want to concentrate on airport-to-airport activity—the flying segment—leaving it to the freight forwarders to handle the surface collection, packaging and distribution of the cargoes. It is estimated that about 90 per cent of all air freight is now handled by freight

forwarders, making extensive use of containers of various sizes. It is significant also that most of the air cargo that is handled by the freight forwarders is collected, packed and taken to the airport, and subsequently distributed to final destination, by road.

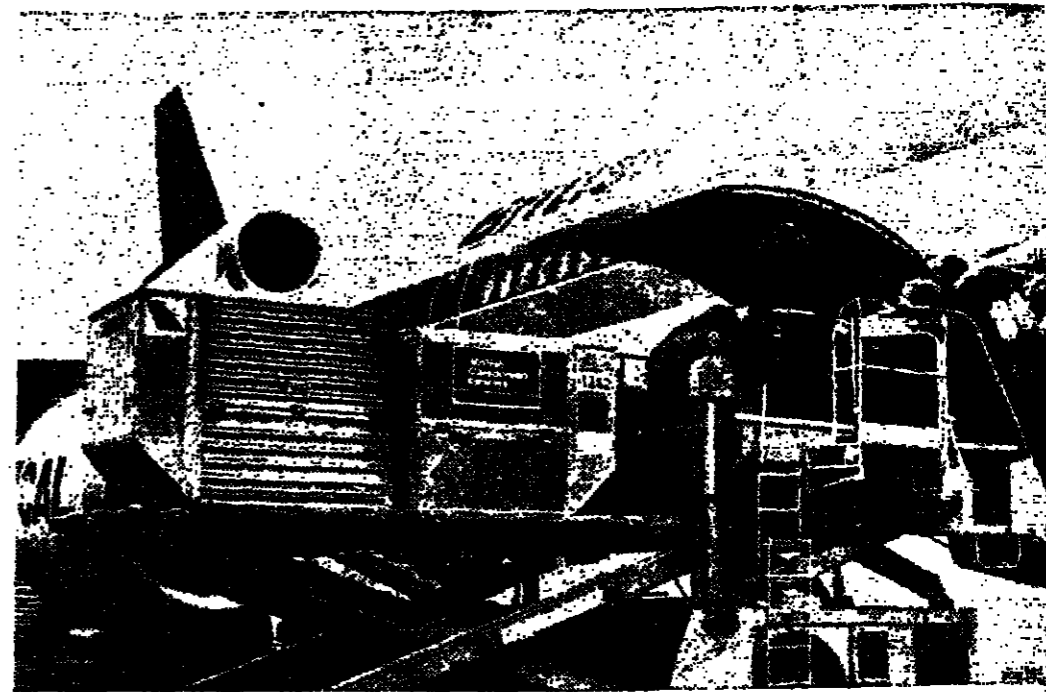
### Long hauls

Another significant feature of this scheduled air freight carried by wide-bodied aircraft—and even in that carried by narrow-bodied jets—is that the greater part of it is long-haul. While some air freight is carried over short hauls, the competition from surface truck and rail transport, particularly on very short routes in Western Europe, is intense.

Also, it is only comparatively recently that wide-bodied jets, such as the A-300 Airbus and the Lockheed TriStar, have come to be used extensively on short-haul routes, providing bigger cargo capacities than those available earlier in the holds of smaller narrow-bodied jets such as Boeing 727s, 737s or British-built Tridents.

As more Airbuses become available, it is likely that the scheduled airlines will seek to utilise this cargo-hold capacity, and some intensely-competitive rates may emerge in order to woo shipments away from surface transport.

In addition to the scheduled airlines—some of which also operate regular all-cargo flights both with wide-bodied and other types of aircraft—there is a much smaller number of specialist, independent all-cargo airlines, such as British Cargo Airlines, Tradewinds and Redcoat in the UK, and Flying Tiger and Seaboard in the U.S., and Cargolux on the Continent. These operators have prospered in the past few years, as a result of their entrepreneurial flair in detecting and developing new markets, not only in areas served by the passenger scheduled airlines but also elsewhere.



Passenger airlines are steadily developing the massive cargo potential of wide-bodied jet holds which are eminently suitable for cargo containers. Above: containers being loaded aboard a British Caledonian DC-10 passenger aircraft at Houston, Texas

Despite the growth of the scheduled cargo operations, these specialist independents are always likely to be needed, if only for their ability frequently to respond more quickly to ad hoc requirements for carrying difficult loads to difficult places.

Michael Donne

## Leasing market dominated by U.S.-based companies

LEASING HAS played a prominent part in getting the container transport system going since 1968, when a Moscow conference set international standards. Unsurprisingly, the U.S. had led the way, as it led the way in the early 1960s in the development of the container idea itself. Leasing also caught on in Europe from the early 1970s, where leasing of rail-cars was a well-established tradition by private investors and institutions.

The UK was slower in getting off the mark, and container leasing did not begin in any substantial way until the mid-1970s. Because the banks were not interested in this form of investment—in sharp contrast to the U.S.—UK leasing developed a peculiar form. It was aimed purely at the private individual, and the tax advantages were heavily promoted to

obtain lessors. As a result there was a great deal of ill-considered investment and in the past few months the market has been severely affected by the financial collapse of Edward G. L. Carter and Company.

Immediately after the Moscow conference, most of the containers were owned by shipping lines and other users. However, as the boom in their use developed, leasing rapidly became the way to allow the users to farm out the heavy capital investment.

According to Jane's Freight Containers, lessors owned 20 per cent of containers in 1970, between 30 and 35 per cent in 1974 and their share is about 50 per cent. Industry estimates put the total number of containers in 1978 at nearly 2m, 200t equivalent units (TEUs), with leasing accounting for about 1m. The leasing market is dominated by seven U.S.-based companies which were early in the field and now control about 85 per cent of the market.

### World leaders

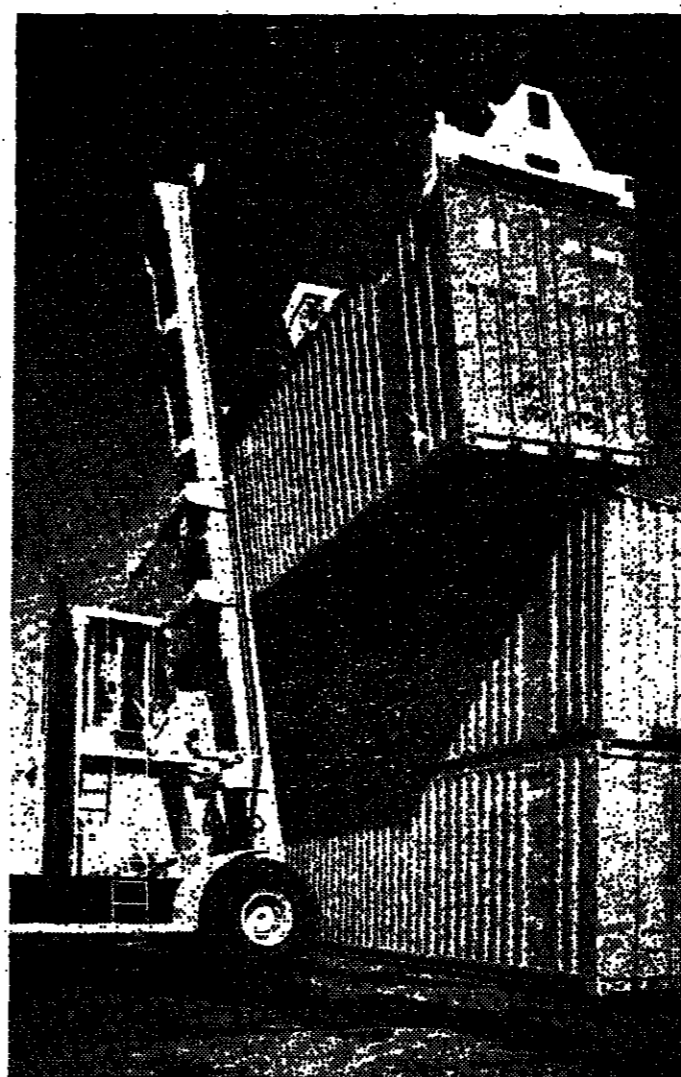
The biggest is CTL, with 200,000 TEUs in 1978, followed by Sea Containers, with 150,000 TEUs, and Flexi-Van with 125,000. SSI, Interpool and ICS all had more than 100,000 TEUs in 1978, while X-Tra had 80,000. The growth of the U.S. leasing companies was fuelled by the U.S. Investment Tax Credit, which encouraged individuals, and, more importantly, companies, to become lessors to lessen their tax burden. Banks are heavily involved in the process, putting together large blocks of containers for clients and passing them over to the leasing companies for management.

By contrast with the U.S., the UK leasing industry is minute. There are no reliable estimates as to its exact size, but the assumption in the industry is that it totals only about 20,000 TEUs. This is remarkably small, considering the UK ports are third in the international league table in handling container traffic after the U.S. and Japan. Probably a key reason for the smallness of the leasing market is the lack of interest shown by the banks, who do not regard containers as collateral for loans because of the difficulty of keeping track of them.

Nevertheless, in the mid-1970s the UK became a fertile ground for attracting private investors to become lessors. This was because in 1972 the Government had introduced 100 per cent first year capital allowances.

This meant that lessors could reduce taxable income by their spending on containers in the year the container was bought. With marginal rates rising to 98 per cent, there was every incentive to do something with the money—anything rather than hand it over to the Government.

Containers, where the leasing companies were advertising rates of return of typically between 15 and 20 per cent a year on the investment,



Containers at the West Africa terminal at Tilbury Docks, London, being moved with a Hyster container-handler. This equipment has a lifting capacity of 80,000 lbs and is supplied by Barlow Handling Rentals at Maidenhead.

appeared highly attractive. In fact, tax considerations aside, 15 to 20 per cent is not very spectacular on a depreciating asset. But £800 a year from a £2,000 container is extremely good. A buyer has only to put up £400 of his own money—the remaining 80 per cent representing unpaid tax.

### Fragmented market

The bare bones of the tax concession were worked over by accountants and tied to a number of schemes to reduce tax liabilities still further. With heavy promotion, investors rushed into the market without paying much heed to the specific terms of their involvement. The lack of discrimination led to a field-day for the leasing companies and to a very fragmented market.

There are now at least 20 different companies competing for business and few of them manage more than 3,000 containers. And with lessors concentrating on returns to the exclusion of all else many of the companies take advantage by selling the containers on from the manufacturers at very substantial mark-ups, at

the same time taking money with the order rather than on delivery.

This all puts much more emphasis within the companies on selling containers to lessors rather than managing them once they are bought. Some of the companies have little management experience, running into difficulties as they lease containers to poor shipping lines or dubious destinations where risks of losing containers are greater.

With this shaky sub-structure, it was hardly surprising that the financial collapse of Edward G. L. Carter and Company in October precipitated a crisis of confidence among lessors and potential lessors. Several of the companies are aiming to set up competing institutions and associations to "clean up the industry," but it is likely to prove an uphill struggle to establish a better image among investors.

In fact it is likely that the UK industry will not recover fully from the shock until the banks, or other financial institutions, move into the market to perform the functions they perform in the U.S.

David Freud

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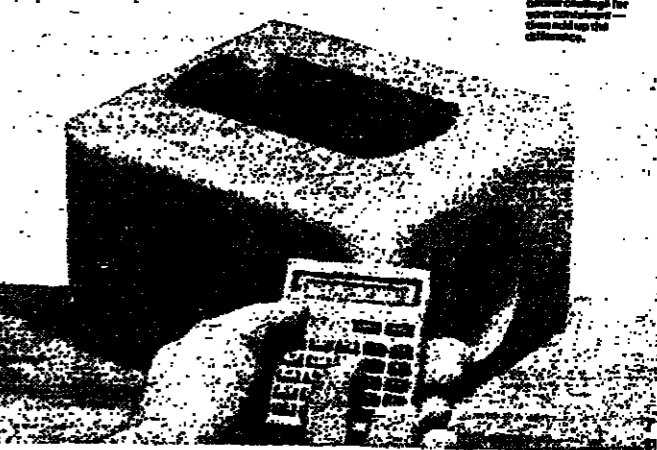
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مكتبة الفن

## THE ARTS

Cartwright Hall, Bradford

# Victor Pasmore

by WILLIAM PACKER

The Arts Council's running programme of small touring exhibitions has always been among the most useful of the very many that it puts together. Indeed in recent years, ever since the V. and A.'s much regretted withdrawal from the field, it has taken on alone the role of all kinds, ancient and modern, major and minor, large and small, to the people; and long may the Council feel able to continue with it. The shows themselves too often pass unremarked, recorded only in their own documents, and they are not always welcomed at the receiving local audience; at all that, they chip away at the rock of blindness, indifference and prejudice at stands, unfortunately, for

our general attitude towards the visual arts. If it is right that we should sustain a public policy of cultural broadcast, such exercises as these must remain central to it.

Two exhibitions that are entirely typical of it are to be seen in Yorkshire, both of them retrospective studies of the work of single artists: the sculpture of Henri Laurens at the Graves Gallery in Sheffield (until February 17) and then on to Dundee, Cardiff and Hull; the paintings of Victor Pasmore in Bradford, at the Cartwright Hall (until March 8) and on to Liverpool, Norwich, Leicester, Newcastle and at last to the Royal Academy in London. And both are serious, comprehensive and yet far from exhaustive, and above all else, accessible, letting the work speak quietly for itself, with all its faults and virtues.

For Art is mysterious enough without gratuitous mystification, and it seems to me most important that an undue deference should not be forced upon the innocent viewer. Not every work of art worth considering is necessarily a masterpiece, and an artist may be admirable without being great. The flawed work, the qualified failure, the limited success are at the very heart of the business, drawing us in to consideration of the search and the attempt rather than the final achievement. It is indeed sometimes enough to have taken part.

The Pasmore show makes the point very clear. Here is one of our senior artists, one of the few who enjoys an established international reputation, showing work which quite belies the nature of that reputation. He has always been generally admired as something of an aesthete, his most popular work considered to be exquisite in the delicacy and charm of the touch and judgment it exhibits, whether it might be an early lamp-lit nude or misty riverscape, or a late lyrical abstraction; and what we see here is work which, from first to last, is characterised by awkwardness and infelicity in drawing and handling. He would seem to have suffered in fact, if to be successful can ever be to suffer, from an admiration that is quite misplaced: which is not at all to say that his work is unworthy, uninteresting or unimportant. It is rather to say simply that he has been celebrated for a touch he never possessed, for masterpieces that never were. And his faults and shortcomings, if that is what they

are, are the keys to an understanding of his work, not his successes; and there is no disgrace in that.

What happened is perfectly simple. Pasmore had been associated in the late thirties with the Euston Road school of figurative artists, and his first and understandable success was with the work that came out of it, a romantic naturalism, all soft edges and rich, pink flesh, followed by a series of seductively atmospheric landscapes. And then suddenly, in the later forties, to howls of popular dismay, he went Abstract. His apparent defection still remembered as a minor crisis in domestic art history.

The consequence was that the quality and nature of what had gone before were alike mistaken, its physical beauty exaggerated, its essential preoccupations misunderstood. And in the last decade and a half, when the abstract imagery has taken on an openly lyrical and suggestive quality, those early virtues have been discerned and their return applauded.

But there was no betrayal, no apostasy. The value of this little exhibition, though it is hung chronologically, is that it is small enough nevertheless for the eye to jump directly across the years; and though the superficial differences in the works remain obvious, the essential coherence is emphatically demonstrated. The descending sequence of orbs, for example, that are the heads of the customers in the Soho Cafe (1946), relates directly and clearly to the amorphous, organic forms of the Blue Symphony (1967-78) at the

other end of the room. The girl's holster in The Studio of Ingres (1945-47) prefigures the whorls of the Spiral Snowstorm (1950-51), and her arms and crossed legs, so awkward and unresolved in themselves, are yet clear indications of Pasmore's enduring concern with the diagrammatic, linear description of pictorial space, which continues through the landscapes, and the constructions, and the architectural projects of his middle years, to the biological diagrams that lie behind so much of the later work. The landscapes become the collages of the early fifties, which in their turn become the relief constructions of the fifties and early sixties. The work may change, but the sensibility remains the same.

The later work is in general the weaker, grown starker, more self-conscious, and exhibiting a curiously insensitive tastelessness. Full of injudicious transitions, from board to fabric to paint, and weak drawing. The line is less confident, scratchy rather than incisive, and the imagery is decoratively repetitive. It may be no coincidence that Pasmore moved to Malta in 1968, for since then his work has seemed increasingly out of touch, and even anachronistic. Many of these faults were always there, but checked by a dogged mental engagement; that have now gone; which is a pity. But Pasmore is what he is, an artist particularly of the 1940s and 1950s, and his work of that time remains significant and will stand. For our part we must be sure to see it for what it is.

I hope to discuss the Laurens exhibition another time.



Victor Pasmore with one of his works

Barnet

## Rubbra's Fourth Quartet

by ANDREW CLEMENTS

The neglect of Edmund Rubbra's music, both in the concert hall and on record, has become the source of much calculated outrage. Extravagant claims for his significance are inflated by prolonged frustration and no doubt devotees would find further fuel for their protestations in his fourth string quartet. Privately commissioned and first performed in 1977 at the Oxford Festival it has only now reached London, and that not in a well publicised event on the South Bank but in a concert at Barnet College last Saturday evening given by the Amici Quartet. All credit to the organisers for securing such a substantial premiere. But Rubbra's music has remained defiantly so non-developing that the emotional territory and language of the new quartet seemed quite familiar.

However, the fourth quartet does break with the tradition of its predecessors in its overall shape: a classical four-movement plan is replaced by a pair of predominantly slow movements, the first subdividing to end in an unconsummated scherzo. The work is intended as

an elegy — it is dedicated to the memory of a young American fan of Rubbra's music — and the culmination of the work is the short final Adagio with brief, intense climax and gently unwinding coda.

Rubbra's thought is essentially chordal, and the surface features of his music merely variegation; apparent changes of tempo and character arise from sub-divisions of the basic pulse rather than from a faster harmonic rhythm. In the fourth quartet interest is sustained by rhythmic elaboration and by the considerable independence of the four string parts. Melodic ideas are very much subsidiary: a folksy tune appears almost by accident towards the end of the first section, and the scherzo theme is given a bounding pizzicato accompaniment, but elsewhere precious little would reward a casual listener. Admirers would not have it otherwise, but this lack of conspicuous virtues in favour of quiet subtleties is likely to remain the severest obstacle to Rubbra's greater appreciation and recognition.

## 1980 Shell music scholarship

Shell U.K. and the London Symphony Orchestra have announced the fourth national competition for young instrumentalists in the UK. This year's competition will be for trumpet and percussion and it is believed it will be the first of its kind in this country.

Candidates will be required to play a wide range of excerpts from the symphonic repertoire, and an important new work commissioned by Shell UK from Andrzej Panufnik.

The 1980 Music Scholarship will take the form of a four-day workshop from Monday, July 21 to Thursday July 24, from which a number of players will be

selected to take part in the semi-final on Friday, July 25, and the final next day.

The whole scholarship will be staged in London at the Henry Wood Hall, Trinity Church Square, Southwark, London, SE1.

The first prize of £3,000 is to be spent in the best interests of the winner's development — for example, on advanced tuition, or the purchase of instruments. It is intended to facilitate the entry of the winner into the musical profession at an appropriate level. He, or she, will also receive a cash award of £100 and the Shell-LSO Gold Medal.

## Première of David Bintley's new ballet

David Bintley's new plotless ballet for Sadler's Wells Royal Ballet, *Homage to Chopin*, has its premiere at the Royal Shakespeare Theatre, Stratford-upon-Avon, on Friday February 15.

The ballet has been designed by Mike Becket, who has colla-

borated with Bintley on all his previous ballets, and the music is Andrzej Panufnik's *Homage to Chopin*.

The cast of seven includes David Ashmore, Slobban Rowan, Anya Evans, Judith Rowan, Jennifer Mills, Nicola Katrak and Janis Parsons.

Purcell Room

# Young Musicians '80

by DOMINIC GILL

Since its debut in 1969, the Young Musicians Scheme organised by the Greater London Arts Association has provided a concert platform each January or February on the South Bank for about a dozen young artists (age limit 26 for instrumentalists, 28 for singers) selected at auditions the previous year. The main purpose of the concerts is to provide "concert promoters throughout London and elsewhere with the opportunity to hear these artists with a view to future engagements." The GLAA itself plays the role of "showcase," not agency — although an important feature of the scheme encourages promoters engaging Young Musicians in the GLC area to apply to the GLAA for grants towards the artists' fees.

Last Sunday afternoon and evening, at two recitals in the Purcell Room, we heard 11 of this year's finalists (the organiser has a recital elsewhere — a saxophonist, a violinist, two pianists, three singers, and string quartet). It was a long day's music-making. And it was also once more a remarkable achievement: programmes were so well varied, and standards so invariably high, that in all of nearly five hours playing there was barely a dull five minutes.

None of the three brightest stars of the event was entirely unknown — talent of such an order would be difficult to hide; but each was clearly destined for much wider audiences, and very soon. The Irish pianist Barry Douglas (born 1960) is still 18, but he already has the maturity and command of an artist twice that age. Four years ago he won a special prize at the first British List Piano Competition; and the two Liszt pieces he offered in this programme were splendid evidence of that jury's foresight — a B minor Ballade of faultless control in every element, lyrical, textural, structural, a huge and stirring performance, massively contained; and a brilliant account of the first Mephisto Waltz, full of noble poetry as well as high excitement. Only four days after Kristin Merscher's debut at the Wigmore Hall (which I reviewed last week), yet another prodigious teenage pianistic talent to watch with lively interest.

John Harle (b. 1956) is already a busy professional, and known especially as the leader of the Myra Saxophone Quartet. His playing on Sunday confirms that he is also one of the most accomplished "straight" saxophonists of his generation. The tonal range of the instrument is effortlessly and powerfully

exploited — from the coarser amplified-clarinet sonority, through the creamier middle registers, to the pure-brass tone, cool and smooth, of a flugel horn.

He had the confidence to begin his short programme with a transcription for alto sax of Debussy's *Syrinx* for solo flute; triumphant vindication of a bold risk, so sweetly (and, against the odds, idiomatically) did the performance sound. Mr. Harle gave the premiere too of a new solo work specially commissioned for the concert from Dominic Muldowney... in a *Hall of Mirrors*... six minutes from a looseleaf sketchbook of motifs and counter motifs, attractively presented, and tied with a thematic ribbon to boot; and an exuberantly persuasive account of a sonata for alto sax and piano by Paul Creston, whose name I hadn't heard before, but who could be an interesting third cousin of Rakhmaninov.

The soprano Fiona Dobie (b. 1951) is no stranger either to British audiences: her contribution was a welcome reminder of, rather than an introduction to, a fresh and attractive soprano voice, and a lively presence, that has already made its mark in recital in London and with the Glyndebourne touring company — should the GLAA selection panel maybe concentrate a little more closely on those many young artists poised on the critical brink of a career, rather than on those who have decisively taken the plunge? But no matter: Miss Dobie's debut evocation of Monica's aria from *The Medium* was a delight, her Schubert firm and clear, and her Poulenc — the two Louis Aragon settings — delivered with fine poise and concentration.

The chamber ensemble of the series, a new String Quartet called Endellion founded only a year ago, was a category to itself — and a major find. They played a single work, Debussy's quartet; and that alone, without prelude or warm-up, was a performance of major quality, beautifully tuned and voiced, finely detailed, keenly shaped. If the rest of the Endellion's repertoire is as good as their Debussy, the Medici and Fitzwilliam will soon have new, substantial rivals in their wake.

None of the remaining Young Musicians made quite so strong an impression as these seven, but there were notable gifts among them none the less. The violinist Paul Barritt (b. 1953) gave a robust, clean-cut account of Brahms's *Sonata in G minor*, and a spare, precisely-gauged reading of Webern's op. 7 — a warm and convincing presence. Jane Robertson (b. 1954) is a quick and intelligent soprano of

beguiling platform manners, just a shade too easily squeezed into readiness in the upper registers, and for my taste a little too readily arch in her humour; but a valuable musician, who will have much to offer as the voice matures.

The robust tenor of William Kendall (b. 1951) seemed set to blast us from our seats with the vigour of his delivery of the "Culius Animam Gentemem" from Rossini's *Stabat Mater*. His "Bien aimé" of Lalo was vigorous, too, but more nicely scaled; and his Bach, Brahms and Britten were pleasing, well-formed. The only serious disappointment of the two recitals was the piano playing of Peter Levitt (b. 1953) — whose Liszt (the Petrarch Sonnet 104) was wooden and technically awkward, and whose Beethoven and Prokofiev were dull and unevenly, unimaginatively voiced. Even juxtapose and force into uneasy partnership two radically different kinds of music — a rather drily lyrical, Boulezian "serial" manner with sequences of much broader and more colourful impressionist gesture; intriguing, unstable combination; interesting idea.

George Nicholson's (b. 1949) *N'est-ce pas?* for solo violin moved by stops and starts in short paragraphs of excitable and vividly contrasted material; but the mood was none the less cool, reflective, the tone-colours muted — a nice ambivalence, stimulating and disconcerting. Neat, apt works both, brief and to the point.

## Paul Scofield as Othello

*Othello*, with Paul Scofield in the title role, will be staged by the National Theatre in March. Of the four great tragic roles in Shakespeare's *Hamlet*, *Macbeth*, *Othello*, and *King Lear*, *Othello* is the only one Mr. Scofield has not played before.

Michael Bryant is to appear as Iago, also for the first time. *Othello* opens on Thursday, March 20, in the Olivier Theatre.

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New legislation is about to be adopted providing for stricter control of mergers and acquisitions and giving greater powers to anti-trust agencies to prevent abuse of market power by large companies and to screen restrictive agreements and practices.

The Financial Times has decided that the new competition policy requires explanation and clarification and is holding the European Conference on Monopolies, Mergers and Restrictive Practices in Munich on February 28 & 29, 1980.

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Tuesday February 5 1980

# Money supply dilemmas

CONTROL of the money supply is commonly discussed by politicians as if it were purely a question of doctrine, backed by sufficient willpower; but the events of the last few days might have been designed to show that it can also pose technical problems so acute as to risk undermining the policy itself. The large inflows across the exchanges last month illustrate one side of the problem—the difficulty of achieving a good deal in a naughty world. The extraordinary gyrations of both long and short term interest rates in the last few days illustrate the other: the danger that actions designed to stabilise the economy will in the short term destabilise it.

The rise of £435m in the reserves is not, it is true, due entirely to foreign inflows; perhaps only about half of it is due to this cause. However, although the authorities have been willing to let the exchange rate rise, it is clear that in present circumstances there is a tendency for a series of "smoothing" interventions in the exchange markets to add up to a fairly consistent one-way flow.

**Admitted demand**  
Of course, tightness in the UK money market is only one of the attractions for foreign funds. There now appears to be a significant and admitted demand from foreign central banks for enhanced sterling reserves; we, like the Germans, appear to be meeting this demand, albeit reluctantly. So far as this is the cause, an increase in counterpart UK reserves of foreign currency is natural, and has no disturbing monetary implications apart from the general worries which must arise from an excessive growth of world reserves.

A second cause of inflows is speculative foreign demand for UK Government stock. This has no impact on the money supply, but does imply a potential free gift to foreign investors if and when monetary restraint achieves its objectives. It seems extraordinary that even now there seems to be no proposal to make UK stocks somewhat less attractive to foreign holders.

Finally, however, we come to the self-imposed problems which arise from the technical means of monetary control still ruling in this country, though some changes are promised for the near future. These arise from the fact that sales of long-term

Government securities (including National Savings instruments) are almost the sole means of controlling the quantity of money.

Since long-term securities change sharply in capital value when the rate of interest moves up or down, such markets are by nature tidal, with sales peaking when the return on Government stock itself seems near a peak, and falling to a trickle between times. Any residual Government borrowing from the banking system adds to banking reserves, and has a potential geared-up effect on monetary growth.

**Works both ways**  
This geared-up response works both ways, as has been demonstrated in recent days, when its own accounts are in substantial funding at a time when its own accounts are in balance or in surplus, the squeeze feeds directly through to bank reserves. This leads to turmoil in the money markets, no doubt attracting overseas funds; it also gives rise, under our present "corset" regulations, to all sorts of other strange distortions, which may well be reflected in the banking figures this week. Not the least of these is the spectacle of a central bank struggling simultaneously to check monetary growth and to prevent a still further rise in short-term interest rates.

These events suggest their own cure: a system of monetary control which does not rely so heavily on the sale of stocks in which there is a heavily speculative market, and which does not therefore need the support of a distorting "corset".

**Cure themselves**  
These are presumably the aims of the monetary reform proposals which are shortly to be unveiled. If, among other results, they enable the authorities to mop up excess liquidity across the whole market spectrum, instead of relying so heavily on the gilt-edged market, some of the other dilemmas may tend to cure themselves. Some critics are now arguing that a pure monetary base system of control (which is not going to be proposed) would lead to unstable interest rates.

We have now been reminded, if it were needed, that stability is hardly a merit which can be claimed for the existing system either; and when unstable rates are combined with fiscal control, reform is overdue.

THE General Electric Company's surprising intervention into the apparently calm take-over of Decca by Racal, and the high price it offered for it ("no point in messing about," said Sir Kenneth Bond, GEC's deputy managing director, yesterday) shows that GEC wants Decca quite as much as Racal does.

Why, and which of the two options would be better for the industry?

If the GEC bid were successful, most of Decca would be integrated into one of the most dynamic of the company's divisions, GEC-Marconi, which has worldwide sales of around £700m. As the accompanying panel of information suggests, it would complement much of Marconi's range rather well.

In radar, the two companies offer some overlapping systems, but Decca has tended to concentrate on the small and medium-sized marine market, while Marconi is stronger in large naval systems, and in aviation and defence markets. Both have large capabilities in microwave systems. The markets have, in recent years, been rather flat, but both companies believe they are on the upturn.

In navigational aids, both offer the Loran system (developed largely in the U.S.), and both market satellite-based navigational systems (though Marconi is stronger here). However, Decca's unique product is the land-based navigational system, more accurate (where available) than the other techniques, and if integrated with them, capable of being made into an attractive package.

In electronic warfare, the two companies are to a considerable extent already partners, with Decca working as a subcontractor to GEC-Marconi on two large Ministry of Defence contracts in the field of jamming and passive warning receivers (which allow a pilot to know what sort of radar is monitoring his movements, and thus take evasive action).

Outside of the Marconi umbrella, Decca still has the consumer electronics division, which makes colour televisions and has recently developed a line in Prestel receivers. GEC, in partnership with the Japanese company Hitachi, is a major force in this market, but probably does not need the extra capacity the Decca plant offers—though its own Prestel/view data range is being built up rapidly. Mr. Gulu Lalvani, chairman of Binatone, has expressed interest in the Decca plant as a manufacturer of the Microvision pocket televisions which he took over from Sinclair Radionics: he is presently discussing what bid he might make for it with a partner, presumed to be a South Korean company. If GEC decided it does not want the plant, it thus has at least one possible purchaser for it.

Decca's music division is in the process of being taken over by Polygram, the Philips/Siemens-owned record company. GEC's bid is conditional on a successful completion of that sale, and there is no reason to



Mr. Ernest T. Harrison, Chairman of Racal Electronics: a larger halo

suppose it will not go through. The radar and defence interests of Decca would then clearly be of some value to Marconi. GEC had wanted to take over the defence, medical and research divisions of EMI, but was thwarted by the bid by Thorn for the entire company; it has clearly had expansion on its mind for some time.

## Customer interest

Unlike Marconi, Racal has little capability in microwave technology, having specialised in HF and VHF technologies, with great success. It has been hampered in lacking this capacity, as more and more customers have shown an interest in total communications systems, including microwave. The acquisition of Decca would have launched Racal into this market in a major way, presenting strong competition to Marconi both at home and overseas.

That is why GEC wants Decca: should it have it? The heart of the argument, now being rehearsed in Government, is this: on the one hand, GEC strengthened by the acquisition of Decca would be more capable of playing the world role which it arguably must play if UK electronics is to make a substantial contribution to world trade. On the other, Racal's acquisition of the company would help make it a "second force" in the UK—along a public ambition of Mr. Ernest Harrison, Racal's chairman—and would provide domestic customers, crucially the Ministry of Defence, with a competitive bidder on a number of contracts. It is a difficult choice.

## GEC makes its bid for the pole position

BY JOHN LLOYD

**THE THREE COMPANIES AND THEIR MAIN PRODUCTS**

**GEC-MARCONI\***

Marconi Radar Systems, specialising in air traffic and air defence, control systems for missiles, and large marine radar. **Decca Navigation**, with Decca navigator chains as the prime product, based on worldwide rental business. Also offers Loran and satellite systems. **Electronic warfare**, specialises in naval surveillance and jamming techniques. **Decca consumer electronics**, makes colour television and has developed a range of Prestel receivers.

**RACAL**

Racal Teletcom, specialising in tactical radio equipment, especially Clausman programme and vehicular systems. Jaguar V secure radio system now being developed. Strategic and civil radio communication, selling various types of receivers and transmitters. **Electronic warfare**, including Jaguar and Sincgars systems, the Score control system and others. **Racal Data Communications** includes modems, network controllers, encryption equipment and multiplexers.

**DECCA**

Decca Radar, with a wide capability, but strongest in small and medium sized market. Has also a small development in airborne radar. **Decca Navigation**, with Decca navigator chains as the prime product, based on worldwide rental business. Also offers Loran and satellite systems. **Electronic warfare**, specialises in naval surveillance and jamming techniques. **Decca consumer electronics**, makes colour television and has developed a range of Prestel receivers.

\*The major interests of Decca, in defence electronics and navigational aids, would be integrated into GEC-Marconi in the event of a successful bid.



Sir Arnold Weinstein, managing director of GEC: "He gets what he wants"

For GEC, naturally enough, the first argument is overwhelming. Faced with powerful competition in world markets from such giants as the West German Siemens, Dutch Philips and the French company Thomson-CSF, which is increasing rapidly in strength, the domestic argument appears to pale into insignificance. GEC-Marconi argues that Ministry of Defence contracts are, in any case, scarcely competitive, being often allocated on the principle of Buggins' turn or, as in the case in electronic warfare development, are collaborative contracts between the companies.

All of Decca's major divisions, the argument continues, require large and continuing amounts of capital for research and development. The company as a whole needs a rapid infusion of strong management. GEC has both of these with large cash reserves, even after a depletion of the price to be paid for Decca, and some surplus of management talent. By contrast, it would argue, Racal lacks cash and the leanness of its operation—usually an advantage—is a hindrance.

The counter argument bases much of its case on internal competition. How is the Ministry of Defence to ensure it gets value for money if it is faced, for most of its communications needs, with one domestic supplier? Who is to keep GEC-Marconi-Decca on its toes in the UK market? Will research suffer when only one company undertakes it?

The argument, finely balanced as it is, is far from academic. The Government must decide whether or not to refer the GEC bid to the Monopolies Commission. If it does, GEC, with recent memories of a protracted wait for Aerys fresh in its cor-

porate mind, has already said it will pull out. A decision on that has still to be made, but the strong indications yesterday were that such a reference will not be made. There are various reasons why this is the likely outcome of Government discussions.

First, a reference would mean that the Government would pause before making a decision, a period which Decca would be unlikely to survive intact. The company has great strengths, but they need to be tapped quickly, and not left to decline further in the midst of uncertainty and declining morale.

Second, there is a precedent for not referring the bid in the recent merger of Thorn and EMI, which has created a grouping not too much smaller than GEC. The Department of Trade pressed hard for Thorn/TMI to be referred, but both the Department of Industry and—more importantly—the Treasury stepped in to block the reference. It would be difficult to argue that a law should be applied to GEC where none was to Thorn.

## 'Discriminatory' argument

Third, could Government reasonably refer GEC when it did not refer Racal? GEC already feels hard done by on takeovers, and it would argue bitterly that a GEC-only reference would be discriminatory.

Again there are counter arguments which might strengthen in the days ahead. There is overlap in the companies' interests and there would be some reduction in competition, at least domestically. The question of discrimination

the company badly, it will be able to take it.

The Thorn EMI merger, and the current battle, have revived partly dormant speculation on the future of the British electronics industry. Speculation made keener by the interesting condition of Ferranti, soon to be cast loose from the protective embrace of the National Enterprise Board (it holds 51 per cent of its equity). A commonly suggested move yesterday was a successful GEC bid for Decca, followed by a profit making sale of Decca shares to Racal, it now holds around 6 per cent and a Racal bid for Ferranti. Scarcely less popular was a GEC bid for Ferranti, whether it succeeded in acquiring Decca, or not.

Ferranti, it was pointed out, is extremely attractive to bel companies. It has a developed semiconductor facility with a strong U.S. link, good if all small overseas markets at some 30 per cent of its sales. It is the Ministry of Defence, whose research and development is largely state-funded and from which the potential spin-offs are large. All it lacks, it is argued, is financial strength, and both Racal and more particularly GEC could supply that.

## Implied snub to Plessey

The remaining element in Plessey, which has smarted in recent weeks at the implied snub that it does not already constitute a second force in the UK electronics scene. While it is easy enough to imagine GEC, Racal or even Thorn taking an interest in parts of Plessey, the company has been the centre of rumours and abortive attempts for 20 many years now that it is beginning to acquire a kind of inviolability. Further, though some of its interest, especially those overseas, continue to disappoint, it has recently created a new group for electronic office equipment and revamped its semiconductor division, which it had previously attempted to sell off. It is not sitting duck: the takeover or dismemberment of Plessey would be a serious business indeed.

Yet if we are to see a restructuring in electronics, it is arguable that now is as good a time as any. The large overseas companies, whether backed by their Governments, under their own steam or both, are growing apace: U.S. and Japanese competition in world markets grows fiercer: the rapid and pre-cutting effects of micro-electronic developments demand an ever-greater concentration of capital. The pace can no longer be a leisurely one.

# Denmark upsets its allies

DENMARK HAS been attracting more than its usual share of attention from the international financial community and Western governments over the last two months. This is due partly to growing realisation abroad of the Government's problems in resolving the country's economic difficulties. It also stems from the irritation Denmark's defence policies have provoked among its NATO allies. The question now asked is what exactly Prime Minister Anker Joergensen is up to.

**Foreign debt**  
The key element in Denmark's economic situation is its foreign debt. The Danes have run a current account deficit for over a decade and have so far had no trouble in financing it. By the end of last year, however, the net foreign debt was equivalent to Dkr 80bn (£25bn) or over 50 per cent of national product. Mr. Knut Heinesen, the retiring Finance Minister, warned that Denmark would have to turn to the International Monetary Fund for help within a year or two, if the situation was not corrected.

The package of economic measures introduced by the Government in December after the devaluation of the Krone was the most ambitious attempt for many years to stabilise the economy. It contained the first real attack on the inflationary indexation of wages to consumer prices. However, several of the tax increases included to win trade union support were quite inconsistent with the avowed aim of improving the competitiveness of the export industries.

The Government clearly underestimated the effect of these tax measures on business confidence. Retrenchment in public spending was also inadequate. Last month Mr. Erik Hoffmeyer, governor of the National Bank, turned to Joergensen's Progress to illustrate his view of the direction in which the Danish economy was still moving.

In a recent political action, the Danish government has twice used its NATO allies. It postponed asking NATO to postpone its six months decision to introduce Cruise and

Pershing missiles to the European zone, thereby breaking the unanimity over the nuclear modernisation plan which the Americans in particular had sought. The Social Democrats then tabled a programme for "zero growth" in the defence budget, ignoring the 1977 agreement among the NATO countries to aim at a 3 per cent annual increase in defence spending. The U.S. Defence Secretary, Mr. Harold Brown, protested in a letter to the Danish Defence Minister.

Lastly the Social Democrats appeared to reverse Danish energy policy by postponing indefinitely a decision on the introduction of nuclear power. Mr. Joergensen backtracked on this issue the weekend, claiming that the intention was only to postpone for a year or two the national referendum on nuclear power which had been expected to take place in 1981.

The impression left is that Mr. Joergensen has become the hostage of a left-wing minority in the Social Democrat Parliamentary group.

Mr. Joergensen has won respect both at home and abroad for his dogged efforts to govern the country sensibly with only minority support in a splintered Parliament containing 10 parties. Moreover, while the influence of the left within his party has probably been exaggerated, Mr. Joergensen's difficulties with the trade union federation (LO) cannot be underestimated. His relationship with the LO chairman, Mr. Thomas Nielsen, is particularly abrasive. But it is not the LO which has been pushing Mr. Joergensen to abandon nuclear energy or to hold back defence spending.

**Stronger measures**  
Whatever the reasons, tactical or personal, inducing Mr. Joergensen to pursue individual defence and energy policies, he must realise that Danish economic policy at least needs to be firm and consistent. At the weekend he acknowledged that stronger measures to right the economy would be needed in the spring. His next stabilisation attempt will be keenly awaited and sharply scrutinised.

# MEN AND MATTERS

Playing the game the EEC way

"The trouble is that the British insist on playing to rugby union rules, while everyone else is playing rugby league." That is how Lord Selsdon, the Midland Bank's EEC advisor, describes the failure of British industry and banking to take full advantage of the opportunities offered by membership of the EEC. Now, almost seven years after accession, the Midland is making an effort to join the league dominated for so long by the French and other more practised members of the Nine. Selsdon's aim is to win for UK operators a bigger share of the financial and industrial business in the EEC and its areas of influence beyond Europe.

The Midland has accordingly opened a special branch within a stone's throw of the Commission. Under the control of former Euronat Dermot Gleeson its function will be to help British companies work their way into the lucrative field of contracts, especially in the developing world—funded or assisted by European institutions. Gleeson has also been briefed to help UK private sector operators through the bureaucratic mazes which have to be negotiated to win grants or loans from the Commission and the European Investment Bank.

Last year, Selsdon tells me, the French won 40 per cent of the contracts offered under the Lomé Convention between the Community and developing countries. Britain took 3 per cent.

"What has held us back is the fear the British have of the Government and the private sector being seen in the same room together," he complains. He hopes now to model his operation on the lines followed by the French, who have intimate links between government, private industry and the European institutions.

beaches offer little to the average lobster. Experiments on the west coast of the U.S. and in Japan suggest that a sub-merged Oldsmobile or Datsun is, on the other hand, just the thing, offering algae and a satisfactory habitat.

The idea is tied in with a more ambitious scheme for a fishing hatchery on the island of Stromsøy, which rough calculations suggest would cost between £250,000-£500,000, and bring in perhaps £200,000 a year. The condition—as the Orkney Islands Council sees it—for spending that amount of money is that Orkney succeeds in negotiating with Brussels its own fisheries policy. Similar demands have already been made by Shetland.

Conceding that negotiations with the EEC are still at the exploratory stage, Orkney Islands development officer Alan Coghill says: "There is little or no alternative; that's our basic argument." Although the local fishermen are reported to be "sceptical" about using old cars to encourage lobsters, something will clearly have to be done if the fishing industry in the northern isles is not to die out completely.

Lobster fishermen are having a particularly thin time of it—112 tonnes were landed in 1977, declining to a mere 69.4 tonnes in 1978, despite or because of more and more sophisticated techniques for catching them.

## Gongs for guns?

The South African Government, never exactly free with information—witness last weekend's news blackout on the Salem tanker mystery—keeps even closer counsel on affairs relating to arms sales and military diplomacy. All the more surprising, then, that it gives what I take to be revealing clues about these areas in its latest Official Gazette.

I wonder what services Commandant Pieter Marais, chairman of Armscor, the State-owned weapons procurement and manufacturing agency, has

rendered to merit the award of Taiwan's Order of the Cloud and Banner (with plaque)? Defence Force chief General Magnus Malan has gone one better, collecting two decorations—Orden del Merito Militar and El Grande Gran Oficial—from his admirers in Paraguay.

## Inflation-free

In the name of free trade, the Japanese Government has unveiled the first list of items which it is now prepared to allow unrestricted access to its markets under the recent GATT deal. Predictably perhaps, the tally includes gold ore, slag and goldsmith's sweepings, but the eye stops at tariff item 88.01, "Balloons and airships. My indefatigably courageous colleague in Tokyo immediately sought the facts from the Ministry of International Trade. Balloon imports, he was told, had been banned in the past "in the interests of national security" but it was now considered safe to allow free trade "from the standpoint of actively contributing to the development of world trade."

## Mystery figure

Something odd evidently happens to the laws of mathematics in Peterborough. Anxious to attract any company and, if possible, its parent, the authorities there have been deploying the slogan "Fifteen times faster." This, it is alleged, is the rate of growth in Peterborough compared with the national average—15 per cent per annum compared with around zero.

Observer

# Venture Capital Report

The following is a list of the projects seeking venture capital described in Venture Capital Report in the last 12 months.

Aquatic House	25,000	Personal Hygiene Device	10,000
Computer Car Market	35,000	Jean Manufacture	25,000
Light Housecraft	120,000	Language School	6,000
Debt Counselling Service	15,000	Emergency Part	175,000
Microcomputer System	25,000	Mobile Recording Unit	200,000
Financing Device	60,000	Water Removing Device	7,500
Training Device	12,500	Patented	130,000
Water Filter/Purifier	55,000	Electrical Distribution	600,000
Minibus Station Railway	140,000	Medical Portable Biotele	200,000
Goods Delivery Drawer	30,000	Plaster Distributor	200,000
Major Film	15m	Performance Car	120,000
Windmill Generator	37,500	Amusement Park	54,000
Car Trailer/Trailer	12,000	Pneumatic Ventilator	12,500
Cable Operating Company	40,000	An Expert Services Company	18,000
Modular Housing Kit	100,000	Handy Repair Manual	30,000
Film Service Company	82,000	Holiday Village	175,000
Handy Glider	50,000	Pharmaceutical Product	75,000
Vacuum Refrigerator	30,000	Fashion Design Company	75,000
Vehicle Function Monitor	40,000	Video Systems	75,000
Fashion Design Shop	12,500	Medical Portable Biotele	200,000
Parking Device	130,000	Tourist Guide Cassettes	50,000
Commercial Sales	80,000	On-site Vehicle	75,000
Cosmetics Company	40,000	Drama Studio	30,000
Furniture Companies Merger	70,000	Teaching Aid	45,000
Market Study	60,000	Bar Shutters	40,000
Diamond Wirecut	25,000	Frozen Gourmet Food	40,000
Automatic Display Calendar	8,000	Tropical Fruit Production	384,000
Purchase of Plant Sales Co	140,000	Pharmaceutical Product	40,000
Gas Smoke Alarm	80,000	Thing Storing System	30,000
Get Course Management	20,000	Software/Systems Design	180,000
Soft Toy Factory	9,000	Spain Frame	30,000
Daily Equipment Catalogue	30,000	Defence Journal	50,000
Automatic Display Calendar	8,000	An Amusement Park	100,000
Catamaran Floating Boat	45,000	Quality Bicycle Refurbisher	30,000
Music Processor	150,000	Men's Clothing Design	40,000
Gourmet Coffee Refill	32,000	Dancing	15,000
Public Refill	80,000	Photographing the Titanic	430,000
Thermography	25m	Specialist Fabrication	100,000
International Road Haulage	35,000	Computer Software	15,000
Do-it-yourself Garage	30,000	On-site Road Counting	125,000
Cassette Display Rack	85,000	Domestic Security Equipment	25,000
L.C. Test House	325,000	Servicing Equipment Hire	38,000
New City Car	15,000	687 projects in all	
An Export Company	20,000		

Venture Capital Report is a monthly journal writing about entrepreneurs or small businesses seeking to raise equity finance. Its revenue, apart from classified advertisement revenue, comes solely from subscriptions. It charges no commissions. Of the above projects, 14 have obtained finance and several more are negotiating.

A subscription costs £125 which represents approximately £1.50 per project.

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# Grocers in the superstore war

BY DAVID CHURCHILL, Consumer Affairs Correspondent

IN THE military terminology which has become an essential part of the grocery vocabulary, Fine Fare yesterday fired another salvo in the High Street supermarket price war. Fine Fare's move closely followed the price-cutting offensive last week by the Asda superstores chain, which produced a nervous City reaction and a downgrading of food retailing shares.

But the City's jitters may reflect more a collective case of shell-shock to the renewed outbreak of firing than a rational appreciation of the current state and future prospects of the grocery sector.

Although price cutting between supermarket chains during the past 12 months has not lifted the headlines in the same way as when Tesco started the price war just after the Queen's Silver Jubilee in June, 1977, there has been little easing of competition. Indeed Tesco and J. Sainsbury, which both emerged as victors after the first 18-month phase of the war, launched price-cutting campaigns earlier last month which are equal to anything Asda or Fine Fare are attempting.

The renewed attention to prices, however, masks the real—and more important—struggle that is already under way and which will largely determine which of the grocery multiples will be the giants at the end of the decade. This battle is for the development of massive new superstores which will not only enable the multiples further to increase their share of the market but also to achieve higher productivity—enabling them to absorb soaring costs, particularly of labour.

It is within this wider strategy that the continuing level of price competition must be viewed. No grocery multiple can afford to build superstores from a position of competitive

weakness, since the extra selling space being generated will be worthless if consumers do not believe in the price competitiveness of a particular multiple.

At the same time, no grocery multiple can now afford to initiate a new price war to match Tesco's blitzkrieg in the summer of 1977. Tesco gave up Green Shield trading stamps, lopped several percentage points off its gross profit margins, and cut food prices to a level that few consumers could afford to ignore. The cost to Tesco was between £20m and £30m—though most of the money was either "saved" by giving up trading stamps or came from smaller margins from the large increase in volume sales of new customers attracted by the price cuts. (In comparison Asda's promotional price-cuts announced last week only amounted to £5m).

## Receptive

Conditions were different in 1977. Food price inflation was running at 10 per cent, the overall inflation rate, while consumers were receptive to a price-cutting campaign on food; no supermarket multiple at that time had overwhelming dominance; and profit margins reflected the inefficiencies of many supermarket operators who preferred the easier course of pushing up prices rather than face up to the need to improve productivity.

In 1980, however, conditions are very different. Food price rises are lagging behind the overall inflation rate; Tesco and Sainsbury are firmly in the "driving seat" of directing market strategy; and profit margins have been pared to the bone.

In addition, the ability of any grocery multiple to launch an offensive as significant as

Tesco's in 1977 is hampered by the pressures of rising costs on operating margins. The major cost pressure is labour—accounting for some two-thirds of total costs—and most major multiples (with the exception of Sainsbury's, which negotiates separately) have already begun to implement pay increases averaging between 17 and 20 per cent.

Supermarkets also face much higher rate bills this year as well as increased charges for electricity, telephones, and postage. Even more significant will be the impact of higher energy prices, affecting not only store heating and lighting but distribution as well.

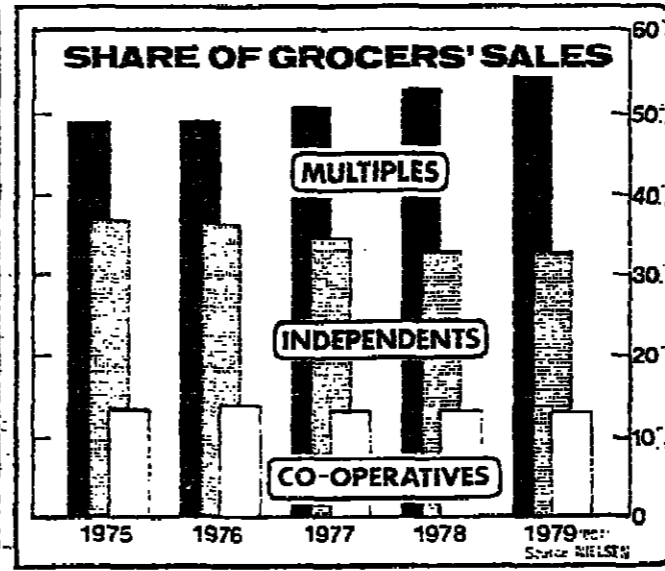
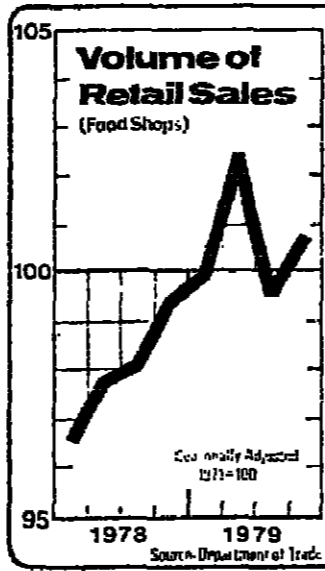
Tesco, for example, has a fleet of 230 lorries each of which averages 800 miles a week. "Every year," points out Mr. Ian MacLaurin, Tesco's managing director, "our own fleet covers some 8.5m miles which, in turn, costs more than £800,000 in fuel—and this excludes our in-store heating and ventilation bill, or the fuel costs of the goods delivered direct from suppliers."

Retailers also fear that the Chancellor may use the next Budget to amend or scrap the stock exchange provisions of the past few years which have been beneficial to the trade.

On top of all these costs, the multiples have to pay the higher current interest rates to finance the new superstore programmes.

Because of these cost pressures, stockbrokers Phillips and Drew in their latest retailing review published yesterday, suggest that retail grocers' net profit margins will slip from their present 2.4 per cent to 2.2 per cent over the course of this year. This would leave food retailers with small scope to fight any new price war.

Another factor suggesting that further heavy price-cutting on top of the present intense



level of competition will not emerge is that none of the major multiples is in danger of losing its market share. A classic retailing response to a falling market share is to launch a price war in the hope that the initial increase in volume sales can be maintained at the expense of competitors.

During the past year Tesco has increased its market share, as monitored by the AGE research company, by about 2 percentage points to stand at 14.5 per cent; Sainsbury's and Asda have both boosted their shares by about 1 percentage point each to reach 11.5 per cent and 7 per cent respectively.

While Tesco and Sainsbury's have emerged as clear winners—with sales volume and value and profits all substantially up—their success was achieved without inflicting any irreparable damage on their major High Street competitors.

The multiple grocers, however, have increased their market shares at the expense of the co-operative stores and, more especially, the small, independent grocers. The co-op's problems are that the movement has too many small, uneconomic stores, as well as the freedom of each individual retail society to adopt its own strategy which makes national control difficult to achieve. The independent grocers most at risk are those not affiliated to voluntary groups such as Spar or V.G., which are increasingly trying to organise themselves to withstand the multiples' challenge.

Some trade estimates suggest that as many as 20 small grocers a week could have been shutting up shop for good because of the pressures of the High Street price war during the past 30 months.

Even if someone like BAT decided to "give away" some £20m to 30m to finance a major price initiative by its international stores supermarket subsidiary (assuming BAT's share-

holders would ever allow such a move), it is doubtful if it would have the same impact as the Sainsbury or Tesco campaigns. However, gullible supermarket executives may expect the public to be there is a limit to their willingness to believe every claim made to be the cheapest shop around. Tesco, Sainsbury, and Asda have been able to remove such an image. It would be difficult for another chain to supplant any of them.

It is the low-price that remains all important for the major multiples, and it is the reason that price competition has not been allowed to ease. Both Tesco and Sainsbury want to maintain their hard won gains while Asda, which is gradually moving south from its traditional northern stronghold, wants to persuade southerners of its reputation for low prices.

An even more important reason, however, why competition between the grocery multiples has developed into trench warfare rather than an armistice being called is because demand for food remains relatively static in real terms. Figures published yesterday by the Department of Trade show that the volume of food sold remained steady in 1979 at almost exactly the same level as in 1971.

Given this lack of volume growth in food sales, and the multiples' reluctance to launch another big price war, they have chosen to compete in superstore development: if the key to survival is to increase volume sales to compensate for low profit margins, then this can either be achieved through a price war or through a massive increase in selling space.

The battle is over which group can get the prime superstore sites and how quickly the stores can be operating. (Superstores can loosely be defined as any store with over 25,000 sq ft of selling space.) The problem is to find the right sites and to persuade local authorities to give planning permission. The rivalry for some prime sites—especially in the south-east—is believed to be intense and bitter.

Superstores, apart from dramatically increasing selling space, are also important to the operators for several other reasons.

First, they enable the grocery multiples to sell more non-food products which earn higher profit margins. The multiples are investigating almost every other retailing activity and product area in the High Street to see if it can fit in with their existing operations. Asda and Sainsbury are developing do-it-yourself centres, while Tesco has moved into such areas as holidays and is equally anxious to sell branded electrical and

television appliances. Frustration at alleged refusal to supply by major electrical manufacturers has forced Tesco to seek an official Office of Fair Trading investigation into whether or not the relevant competition legislation has been breached.

Secondly, superstores help the multiples develop their fresh foods activity which, as long as service costs are kept under control, are a profitable part of the trade. Traditionally, most supermarkets have been bad at selling fresh foods—such as meat, bread, and fruit and vegetables—because they have lacked the space to deal with them properly.

Third, the large volume of trade through superstores will both improve productivity and help the groups to introduce laser-scanning electronic check-out systems, linked to sophisticated computerised stock control.

From the consumers' point of view, the development of superstores dovetails with the growing support for "one-stop shopping"—buying both foods and consumer durables from one store. Moreover, with more women working and car ownership increasing, the advantages of a large shopping expedition once a fortnight or even less frequently become clear.

So far the Asda group has more superstores—52—than other retailers; indeed it only operates superstores. The co-ops are next in terms of superstore numbers, closely followed by the other major grocery multiples.

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## Productivity

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## Letters to the Editor

### Small craft foundries

From Dr. D. Hitchens.

Sir,—The recent NEDO report on small craft foundries—their present role and future prospects raised issues that are of wider relevance to the engineering industries as a whole. The issues appear most clearly when that report is contrasted with an earlier study of much the same sample of firms I carried out in 1972. The main question, put simply, is whether success or failure depend more on the quality of engineering or more on the ability to meet delivery promises.

Against a background of an historically rapid rate of small foundry closure, a further expected decline in demand (for engineering castings) and the required number of foundries, NEDO recognises a crucial strategic importance of the sector to the economy and identifies the primary role of the small foundry as providing a strong local service; a quick response for an urgent or vital casting. A number of immediate pressing problems are diagnosed, viz cut-throat competition, low investment, etc. and they recommend a need for special consideration by among others, the Inland Revenue and Department of Industry to secure the future of small foundries.

The studies differ in their analyses on the weakness of small firms particularly on the importance of the quality of their outputs. NEDO found few procedures for quality control, or evidence that customers required them: service took precedence over quality. The earlier study which examined the proposition that foundry size was related to efficiency and its prospects of survival, generated a picture of ironmongery in which firms showed the quality of castings required by customers as very important characteristic of the market place (as important as price and more important than speed of delivery); and generally the larger firms were more able to meet quality specifications than were the smaller firms. Indeed the more successful and growing foundries kept ahead by changing their methods of production in respect of newer production and had significant quality advantages over their competitors. But provided the small firm was able to meet the required quality standard, it was under no disadvantage and would survive. Its location in competing for orders was found to be positively unimportant.

The clue to the difference in emphasis between the two surveys lies in the key role role which NEDO mistakenly attaches to the small foundry. Their evidence was that two-thirds of the smaller foundries delivered most of their output within a radius of less than 50 miles; illustrating the necessity of a close relationship and quick response to customer requirements. However closer inspection of the NEDO data shows that two-thirds of the foundries in their analysis are tied to a parent company. When these are removed, it appears that most of the output of the remaining independent foundries was delivered beyond a radius of 50 miles.

It is more appropriate to consider the supply of castings at a national level, and it can be

### Letters to the Editor

estimated that only about one tenth of engineering castings are supplied by the very small independent foundry which has historically been at greatest risk of closure. The earlier study showed that competitive forces have reduced their numbers because of a need for quality and improvement in production methods. Special measures are not justified for public support on uncertain evidence of a need for a local supply.

(Dr) D. Hitchens, National Institute of Economic and Social Research, 2 Dean Trench Street, Smith Square, SW1.

### The hotel industry

From Mr. M. White

Sir,—The letters of protestation from the hotel industry simply do not stand up to comparisons elsewhere in the world.

Not long ago, the chairman of one of our largest hotel groups boasted that an investment in his company showed a better return than most other public companies over the last decade.

The fact of the matter is that hotels and the auxiliaries surrounding them are outrageously expensive compared with the salary scale in this country. For example, in America's mid-West, a large double room with bath and all facilities in an excellent hotel can be had for around £25 a night; parking one's car in a hotel car park in London for the day is twice as expensive as in Zurich. (Mr. Hearn (February 1) is quite right to say that we should encourage our tourist business, but there is no doubt in the minds of most people who come in contact with foreign visitors, that the hotels here have become greedy and indignant. Apart from this, we are still not only country in Europe without a strong and powerful tourist board. Tourism is the easiest industry for this country to make money from and yet it is run in such a way that we will get what we deserve in due course, unless we make a much greater effort to give both value for money and better consideration to the foreign visitor.)

Michael White, 13 Duke Street, St. James's, SW1.

### Living costs overseas

From the Manager, International Salary Research, Inbicon/ATC Management Consultants

Sir,—You have published letters from eminent correspondents in the hotel industry which imply that because many hotels in London are quoted, expensive than those "Living costs overseas" (January 25) are misleading. As a member of the organisation responsible for some of the extensive research which goes into that publication each year I feel that two points should be emphasised.

In any international comparison it is essential that as far as is practicable the same standards should be applied at all locations. "Living costs overseas" compares prices in first class hotels of high international standards situated in the main shopping, business districts of the city surveyed. In each place the

### Letters to the Editor

average price of three de luxe hotels is quoted and wherever possible hotels of international groups are taken as representative.

If individual standards were applied different costs would change but whether or not this would lead to any alteration in the relevant league table is questionable, especially in major western countries.

The book aims for consistency between one year and another. There is no doubt that in recent years hotel costs in London have risen more rapidly than in most other places. This, coupled with a strong pound, rather than the choice of hotels, is responsible for London's position at the head of the list.

A. J. Arthur, Knightsbridge House, 197, Knightsbridge, SW7.

### Consultative weaknesses

From the Employment Officer, Islington Chamber of Commerce and Trade

Sir,—Mr. Larne Barling's article, "London small business community tries to make its voice heard" (January 7) dealt with the efforts of the consultative group of the Greater London Chamber of Commerce and Trade to strengthen and expand the influence of small businessmen to encourage and support government policies which could and should be directed to their benefit.

The Islington Chamber of Commerce and Trade, whose membership is almost entirely small businessmen, declined an invitation to join the consultative group on the grounds that what is needed is action, not endless consultation and futile discussion which leaves issues unresolved. There are too many research projects, working parties, committees and sub-committees and discussion groups already in existence that take months, even years, to arrive at conclusions or recommendations which are often split opinions of dubious value and uncertain merit.

I say this with all respect to the good intention and honest objectives of the consultative group. Yet, as the article pointed out, after ten years of consultation, serious differences of opinion remain which effectively block concerted representation of the small business community. Our Chamber of Commerce chose instead an action course intended to help solve the ugly, growing problem of unemployment in this community which has suffered serious economic and industrial deterioration in recent years.

With the financial support of the Islington Borough Council under a partnership grant, an employment stimulation unit was established by the chamber and is operating not only to create and expand job opportunities but also to attract outside industry to set up new plants, large or small, and at the same time make every effort to retain existing industry and small business within the community. In the last three months, this effort is beginning to produce results.

The Chamber is also pushing hard in a membership campaign to restore its active membership to the thousand mark, more than double the present membership. By strengthening its influence in the community, a true representation of large,

### Letters to the Editor

small, and medium-sized businesses can be developed into a powerful voice in Islington—where it will do the most good.

These are the kinds of action we believe are required in these dark days of economic and social unrest and uncertainty. This is the way, as the article mentioned, to develop strength at the grass roots level in the local community.

W. D. Crawford, 330, Holloway Road, N7.

### Citizens' band radio

From Mr. D. Jarvis

Sir,—I would like to sympathise with your correspondent (January 29) who apparently has had expensive radio-controlled model aircraft damaged by the illegal use of citizen's band radio operating on 27 MHz. I cannot sympathise, however, with his universal condemnation of CB radio.

Your correspondent may not be aware that there is a very active campaign to have CB radio introduced into the UK this year and hopefully on VHF, which will not cause interference to aero models or anyone else. Ironically, opposition to CB radio by people such as your correspondent obviously helps delay the introduction of a properly regulated CB system and give rise to the frustrations which encourage the importation and use of foreign sets which cause the problems for other sections of the community.

Perhaps if aero modellers lent their support to the campaign for a legitimate CB network they would save themselves a lot of grief in the long run and we will not be faced with an "Australian situation" where so many illegal sets were in operation that the Government authorised CB in desperation. In this context it is worth noting that potential users in the UK are currently estimated at 8m. There seems to be a case for early orderly introduction to pre-empt a possible eventual shambles, and unhappiness all round.

David A. Jarvis, 5, Carronvale Avenue, Larbert, Strathclyde, Scotland.

### Buying a loss

From the Director-General, Process Plant Association

Sir,—David Fishlock's article on prospects for bio-technology (January 28) contains a reference to the British process plant industry which is quite incorrect.

Our industry is just as interested as the chemical industry in this new technology. There was in fact a great deal of interest by members in supplying the large fermenter to ICI Billingham and there was intense competition for the business.

It is well known in the industry that the order for this vessel was placed in France because of the exceptionally low price quoted and that France "bought" this business in the full knowledge that they would make a substantial loss on it. Much as our members wished to be the first to supply such exceptional equipment there was no merit in taking the business at a certain loss. Harry Hornsby, 25, Whitehall, SW1.

## Today's Events

### GENERAL

UK: Mr. James Prior, Employment Secretary, is among speakers at "Communicating in the 90s" two-day conference, opening at Kensington Town Hall.

Mr. David Howell, Energy Secretary, speaks at Freight Transport Association lunch, and at Institution of Chemical Engineers dinner.

Dockers' pay talks resume.

Union-management working party meets to find buyer for Meccano factory, Liverpool.

Mrs. Sally Oppenheim, Minister for Consumer Affairs, speaks at Derby.

### GENERAL

Mr. John Forsyth, Morgan Grenfell and Co., director, speaks on the future international role of sterling, Royal Institute of International Affairs.

Prince Charles visits British Institute of Management.

National Stamp Exhibition opens, New Horticultural Hall, Westminster (until February 9).

Overseas UN disarmament conference resumes, Geneva.

PARLIAMENTARY BUSINESS: House of Commons: Local Government Planning and Land

### GENERAL

(No. 2) Bill, second reading. Motions on EEC documents concerning the general energy programme, nuclear power station finances, and the plutonium safety cycle.

House of Lords: Criminal Justice (Scotland) Bill committee stage.

Select Committee: Foreign Affairs. Overseas Development Sub-Committee. Witnesses: Overseas Development Administration. Room 16, 5 pm.

OFFICIAL STATISTICS: UK banks' eligible liabilities,

### GENERAL

reserve assets, reserve ratios and special deposits (mid-January). London clearing banks' monthly statement (mid-January).

### COMPANY MEETINGS

Baggeridge Brick, Midland Hotel, Birmingham, 12.30. Elson and Robbins, The Post House, Epsom Lane, Sandiara, Notts, 11. Kelsey Industries, Kelsey House, Wood Lane End, Bemei Hempstead, 11. Tomkinson's Carpets, Duke Place, Kidderminster, Worcestershire, 12.

### COMPANY RESULTS

Final dividends: Aaronson Brothers, English and New York Trust. Interim dividends: Crouch Group, Steinberg Group, Unitech.



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# Lonrho down nearly £10m but 1980 looks brighter

REFLECTING heavy reinvestment, trading problems in West Africa and the expense of the successful SUITS takeover hearings, pretax profit of Lonrho, the international mining, finance and trading group, fell from £93.6m to £84m for the year ended September 30, 1979.

The balance sheet, however, has never been healthier, says Mr. R. W. Rowland, chief executive, and in view of the enhanced prospects in the current year a special interim dividend of 1p has now been declared for 1980 to be paid along with the 1979 final up from 4.25p to 4.68p net.

The final dividend increases the total for the year by 10 per cent from 6.55p to 7.32p a share. Following the special interim, the directors expect that a second interim will be declared in July or August in accordance with normal practice.

Earnings per share are shown to be down from 24.33p to 18.65p net or from 29.38p to 23.21p on a nil distribution basis.

Group turnover increased from £1.49bn to £1.57bn and group trading profit, including associate profit, from £74.2m to £76.5m.

Increasingly the group is investing in proven developments or new investments in developed countries rather than in new ventures in developing countries which were depreciated over a relatively short period, the directors state.

Due to this change of emphasis as from October 1, 1979, the entire surplus arising from professional valuations of fixed assets will be credited directly to reserves, they add.

Other credits amounting to £7.7m (£19.5m) comprise provision for depreciation arising on valuation of fixed assets which was charged to profit before tax in previous years but which is now no longer required of £5.7m (£14.92m); profit on disposal of fixed assets of £1.80m (£1.06m); and profit on disposal of investments of £0.10m (£3.48m).

The balance sheet at September 30 shows fixed assets at £385.8m (£358.2m), net current assets of £89.2m (£12.77m) and net assets per share of 180p against 175p. Loans amounted to £137.1m (£73.9m).

An analysis of group profit (including associates) shows mining and refining £30.9m, agricultural equipment, machinery and motors £18.6m, agriculture £10.96m, general trade £9.54m, engineering and manufacturing £3.26m, export commissioning £7.98m, wines, spirits and beers £3.96m, textiles £3.52m, printing and publishing £3.05m, and hotels £3.04m.

In his review of the year's operations, Mr. Rowland says he is confident that the group will continue to grow around its long-established core of mining and agriculture. He feels that gradual expansion in the UK and the western hemisphere is in the best long-term interests of shareholders. This programme is now well under way and the group will be seen progressing further from 1980 onwards while maintaining its investment plans in Africa.

See Les

# Vibroplant Holdings over £2m in first half

PRE-TAX profits of Vibroplant Holdings, the North Yorkshire plant hire company, showed a substantial increase in the half-year to September 30, 1979, rising from £1.6m to £2.1m.

The net interim dividend is raised from 4.22p to 5.23p, equal to 7.5p (6.6p) gross—last year's total was 12.40p net from pre-tax profits of £3.17m.

Turnover for the first half was £5.8m against £5.4m, and the tax charge was £1.1m (£831,405). Mr. Donald H. Gaunt, the chairman and managing director, told the annual meeting in October that the company had a full order book. He said efforts were being made to increase export sales, and many new accounts were opened during the previous six months in various countries and the Board felt there was scope in this direction for the future. Exports in the last financial year amounted to £37.371.

## comment

The latest interim improvement at Vibroplant has been achieved on the back of a 26 per cent increase in turnover and, thus, a useful volume gain. Of possibly greater importance is the 24 per cent increase in cash earnings (stripped before depreciation, interest and tax) which shows that the balance sheet is readily capable of financing the slight rise in capital investment planned for this year as a whole. The climate this winter is now more suitable to Northern Europe than the Arctic circle, and the second six months has started well, again enjoying the benefit of a 15 per cent rate rise from October 1. Plant utilisation is apparently as good as it has ever been over the past five years which suggests that pre-tax profits will reach at least £4.1m this year for a fully taxed p/e of 7.6.

If the rate of net interim dividend increase is applied to the total distribution, the shares yield 8.4 per cent at 257p. The price is within striking distance of the 12-month peak and there is no reason to suppose that Vibroplant will underperform a tolerably resilient sector over the short term.

As already known, the net interim dividend is lifted from 2.5p to 3p per share and there is a special interim of 2.8p—last year's total was 7.2p on pre-tax revenue of £1.05m.

Net asset value is shown as 264.5p per 25p share at the half year, compared with 296.1p at May 31, 1979 which included full investment currency premium of 7.8p.

During the period drawings under the currency loan facilities were reduced from £5.37m to £4.4m.

RENTAL INCOME of Apex Properties rose slightly from £493,394 to £501,394 for the six months to September 30, 1979, and including interest receivable up by £31,454 to £39,151, pre-tax profits improved from £253,176 to £253,147.

Earnings per 10p share are stated up from 1.13p to 1.49p, while the interim dividend is raised to 0.7p (0.5p) net—the 1978-79 total was 1.6p on record profits of £225,088.

Attributable profits for the first half slipped from £171,129 to £160,971, after tax of £174,276 (£121,652) and an extraordinary credit last time of £49,805.

# Apex Properties up to £335,000 so far

First quarter's profits of M & G Group (Holdings) are at a level comparable to those of last year, and Mr. Andrew Caldecott, the chairman, says there is no reason to believe that the problems with the Endowment and Pension Fund are adversely affecting current trading.

Mr. Caldecott's comments appear in a circular to shareholders outlining the proposed deal with Kleinwort Benson over the foreign life fund of M & G's Endowment and Pensions Fund.

He says the precise amount of any eventual liability arising from the Inland Revenue's unpaid taxes claim "remains uncertain."

## HIGHLIGHTS

GEC has announced its terms for Decca—a bid of £82.5m cash—and Lex looks at the implications of this developing battle. On a quiet day for company news Lonrho announced its preliminary figures for the year ended last September, showing a £10m fall in profits to £84m. Debenhams has released details of a scheme to split off its credit financing business into a trade investment company which will take the debt out of its balance sheet. Finally the gilt-edged market had another hectic day with falls of over one point at one stage and Lex looks at the state of the market ahead of the January banking figures. On the inside pages there are comments on Hilliards and Vibroplant.

# Debenhams credit side hived off

A NEW finance company has been set up which will take over the retail credit operations of Debenhams, the department store group, and will also seek new business in the UK and overseas. The new company—Webelco Finance—has acquired Debenhams Finance through which credit operations, currently amounting to £100m sales per annum, will continue. Under the deal Debenhams will pay Webelco a service charge of 2.5 per cent on all Debenhams credit sale debts.

Debenhams has £75m of credit business outstanding of which £55m is represented by an overdraft from Lloyds Bank. The new Webelco will have total funds of £105m of which £20m will be subscribed by Debenhams, the balance being raised through a £85m acceptance created and arranged by N. M. Rothschild and Sons and a £20m overdraft facility provided by Lloyds Bank.

Mr. Kenneth Bishop, chairman of Webelco, said that the subsidiaries required to finance the increasing level of credit sales in Debenhams would in future be raised by Webelco. This will not affect the present net asset position of Debenhams although it will reduce borrowings by some £20m.

The new arrangement also allows the credit expertise within Debenhams to be available to other retailers. Webelco

plans to become an independent company within the retail credit business and the company will be actively seeking clients both in the UK and abroad. Webelco's net surplus for 1979/80 is forecast at £3.04m rising to £3.77m in the current year.

Debenhams will hold 10 per cent of the equity share capital of Webelco but the right attaching to its class of shares entitles it to virtually all of the profit distributed by way of dividend. The remaining shares will be deferred equity held by sleeping shareholders.

Debenhams also confirmed yesterday that Harvey Nichols department store will not be sold, despite at least two serious offers for it in the £55m range. It is intended that in-store franchises will be developed at Harvey.

Debenhams plans to close the external outlets of its New Dimension stores on February 28. Mr. Hardy Amies announced yesterday that he has acquired the business of the London-based fashion designer. Mr. Amies emphasises that his women's couture, boutique and ready-to-wear retail business will continue from Savile Row. He said that he was totally committed to expanding further the company's considerable licensed business in men's wear, women's wear and household goods.

# Gilmore meat group winding up order

A compulsory winding up order was also made against the Manchester-based General Engineering Service (Radcliffe).

The group's listing was suspended last June and a statement by the joint receivers and managers—Messrs. E. C. Saunders and Sons, Freeman Mechanical Services, Chris Hudson (International), East Ferry Demolition and Construction, Ferris-Payne and Gatezone.

Johnson and Pickford, Jackson, P.S.T. Engineering, Goodglide and The Pemoni Organisation. Liverpool Non-Ferrous Metal Co. Tressmead, Annals (Car Sales) and Promexport International (UK).

Crepedale, Marine Associates, Laguna Roofing Contracts, The London Contract Decor Co. and Sounds Ahead (Mail Order). The compulsory winding up order against Ewing and Son, made on January 21, and H. T. Travel (January 28) were rescinded and the petitions dismissed by consent.

# NEW LIFE BUSINESS Strong improvement by Confederation Life

The UK results last year for life and pensions business of the Canadian Insurance Company Confederation Life Insurance Company show new annual premiums up by 22 per cent from £3.7m to £4.5m and single premiums 28 per cent higher at £1.7m compared with £1.3m.

Mr. P. Wortman, the general manager, stated that growth had been experienced throughout most of the range of the company's products, with the mix of life and linked business being around 50-50. Personal pension business for the self-employed was down in 1979, but this was more than compensated by the rise in executive pension business.

The growth in single premium business last year reflected the popularity of the company's Capital Protected Plan, a back-to-back growth bond over 10 to 15 years. Sales of this bond expanded by 154 per cent to almost £90,000.

# Australian Mutual has buoyant year

Buoyant life business last year in the UK is reported by the Australian Mutual Life Insurance Society with new annual premium income advancing by 26 per cent to over £1.6m. New sums assured reached £95m. New annual premiums on individual business improved by 26 per cent to £1.4m, with sales of conventional with-profit whole life and endowment assurances being strong. New annual premiums on group pension business rose by 23 per cent to £224,000.

Worldwide business of the society, one of the largest life companies operating in the Commonwealth reached record levels with new sums assured rising 7 per cent to A\$6.95bn.

# Crown Life Pensions fund offer

Crown Life Pensions, a member of the Crown Life Group (UK), has expanded its pension services by entering the managed fund market. This will add to its present range of deposit administration pension schemes.

Initially two funds are being offered to clients: the Mixed Fund covering all investment management and the Money Fund. Under the latter fund, investment will be in short-term and liquid assets and the unit price is guaranteed not to fall. One novel aspect of this fund is the facility for pensions to be paid direct from the fund, by cashing in units as an alternative to buying annuities. This will option, the client company carries the mortality risk of pensioners. These new managed funds offer to client companies a pension investment management service on a unitised basis and are aimed at the self-administered pension schemes of all sizes, including the recently developed small self-administered pension scheme. But, under the latter type of scheme, the trustees, under Inland Revenue requirements, have to buy an annuity within five years of the pension becoming payable.

## BIDS AND DEALS

# Plessey Portugal gets offer from local electronics group

BY JIMMY BURNS IN LISBON

Central Electronics, the Portuguese electronics company, is making an offer for Plessey Portugal, the troubled subsidiary of Plessey, the UK electronics and telecommunications group.

Central's managing director, Sr. Jose Rocha de Matos, travelled to London to put a formal recovery programme before the Plessey management board.

Sr. de Matos said later he had no doubt that his company had the technical capability to take over Plessey Portugal's operations without revealing details, he said he had in mind a recovery programme that would save jobs and put Plessey Portugal in a good condition within two years.

He insisted that, were the take over bid successful, his company would remain Portuguese.

Sr. Matos' initiative has come against a background of intense and little-publicised activity, the final outcome of which is expected to have far-reaching consequences for Portugal's telecommunications industry.

This was thrown into confusion in December after a warning from Plessey Portuguesa

that it would go into voluntary liquidation unless the Government took steps to guarantee its survival.

Since then, Plessey and the Portuguese Government have been involved in delicate negotiations. Plessey has presented a management recovery plan involving a reorganisation of Plessey Portuguesa's operations and a £200 cut in the company's 3,500 labour force. Although the Portuguese Government is believed to have agreed originally in principle to the rationalisation of the labour force, its position is now thought to have hardened.

Industry sources have confirmed that Plessey's ultimatum has resulted in approaches to the Government from a number of Portuguese and multinational companies which would like to see a strong foothold in the industry. Plessey has at present about 60 per cent of the market for switching equipment in Portugal. It is also the major supplier of telephone CTT, T.S. the Portuguese State-owned telephone company.

The Portuguese administration is now believed to be facing a

choice which has already been considered by almost every other European country. It has to decide whether to build its telecommunications industry on a nationally-designed system or to try and get the best deal possible out of one of the multinationals. A third option might involve a compromise between the two.

Central Electronics is majority controlled by Portuguese private capital, and is 30 per cent owned by the Portuguese stateholding company IFE (Instituto de Participações do Estado).

Central's current operations are limited: it has an annual turnover of about Esc 273m, employs 250 people, and has only 8 per cent of the market for switching equipment.

However, it has been extending its field since the 1974 revolution, and has recently brought foreign know-how into its operations. The company has negotiated contracts with L. M. Ericsson, of Sweden, and CSN, of Denmark.

Industry sources believe that Central could diversify its current operations and become a major electronics supplier to Portugal's emerging automotive industry.

# Norrington receives approaches

A number of approaches have been made to Henry Norrington, agricultural engineer, merchant and general ironmonger, and the company's share listing has been suspended pending an announcement.

Norrington says the approaches may lead to an offer being made for the whole of its issued share capital.

Yesterday's suspension price was 16p, which capitalises Norrington at £809,120. Around one-quarter of the shares are held by directors of the company. Samuel Montagu, which is advising Norrington, said a further announcement can be expected in about a week.

## LAMONT EXPANDS ENGINEERING SIDE

James H. Lamont and Co., a subsidiary of Lamont Holdings, the investment holding company with interests in engineering, has acquired two private companies, Merlin Cutting Tools, of Sheffield, and Duratool, of Warminster, Co. Down. The total payment will not exceed £100,000 cash.

The acquisitions will extend the group's engineering activities and are expected to contribute to the current year's profits. Both Merlin and Duratool, which are operating profitably, are manufacturers of precision tools for slitting and finishing holes which are used in the aeronautical, automotive and machine tool industries, at home and abroad.

The activities of James H. Lamont include the manufacture of compression fittings for copper tubes and pipes.

## CHAMBERLAIN PHIPPS' £0.45M DEAL

Chamberlain Phipps has acquired Barne Devanney and Co., insurance brokers, and that part of the voting share capital of Barne Devanney and Company not already owned by Barne Devanney Group for an aggregate of £450,000, satisfied as to £132,000 by 330,000 shares and £318,000 cash.

RACAL Hill Samuel Investment Management, an associate of Racal, have sold, on behalf of the discretionary investment client, 25,000 Racal at 223p.

## SHIRLSTAR SELLS HALL BROS. STAKE

Shirlstar Container Transport has finally sold its 10.46 per cent stake in the voting equity of Hall Brothers Steamship. Shirlstar purchased a proportion of this holding at 140p per share and at first regarded the subsequently successful offer by Temple Finance and Investment as too low at 70p per share.

In order to avoid its holding falling below 10 per cent and becoming subject to compulsory purchase, Shirlstar announced yesterday that it had disposed of the shares through the market to three different purchasers. The shares changed hands under rule 163 (2), the unfixed market, and it is understood that Shirlstar at least achieved its buying price.

## U.S. MARKET REACTS TO IMP. RUMOURS

Rumours of a new obstacle to Imperial Group's planned takeover of Howard Johnson have been depressing the U.S. restaurant and hotel chain's share price in New York. The shares slipped \$14 to \$233 on Friday and had shed another 75c by mid-session yesterday.

The price was reacting to reports that a wholesale brewers' association in California is to

petition against the liquor licence granted Imperial last month by the Californian Department of Alcohol Beverage Control. U.S. legislation means that Imperial has to seek licence approval in each of the 48 states where HoJo is present.

Imperial's finance director, Mr. Jim McKinnon, said he understands that the association is not objecting to the Imperial takeover per se, but is arguing that the matter should be resolved by the state legislature and not by administrative judgement.

Mr. McKinnon said that the objection had not been expected, adding that he had instructed Imperial's U.S. counsel to evaluate the situation. California was the 28th State in which Imperial won approval for a licence.

## GUINNESS PEAT IN WEST GERMANY

International Enzymes, a wholly owned subsidiary of Guinness Peat Group, has taken a 50 per cent interest in P.L. Biochemical, a newly formed company in Sankt Goar, West Germany. The new company will act as a European distribution centre for biochemical reagents manufactured by P.L. Biochemicals, of Wisconsin, which owns the remaining 50 per cent interest. International Enzymes has had a close association with P.L. Biochemicals, over a number of years and represents the company in the UK.

## INCHCAPE OFFSHOOT IN IRELAND

Nell Pryde, a subsidiary of Inchcape, is to establish a business in the Republic of Ireland to manufacture sails for yachts and sailboats. Plans are to begin production at Malloy.


## THORNWOOD LIFTS WIGHT STAKE

Thornwood Investments has increased its holding in Wight Holdings to 650,000 shares, (29.8 per cent), by the purchase of 100,000 shares from Mr. J. C. Seah, £50,000 from J. Mansson and £50,000 from L. A. Stoddart, all directors of Wight.

The Stock Exchange and a City Panel on takeovers and mergers have been advised of these transactions and no objections have been raised. In agreeing to the transactions, the directors of Wight believe that co-operation between Wight and Thornwood will strengthen the Wight group of companies and will be in the interests of shareholders and employees.

Thornwood has assured the vendors of the shares that it does not intend to increase its holding by market purchases or by a general offer, nor does it intend to control the board of Wight. Wight has requested a seat on the Wight Board for its chairman, a managing director of Thornwood. This result will be considered by the Wight Board.

Thornwood is a private investment holding company based in Scotland, whose principal interests are in property, leasing and vehicle distribution.



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M. J. H. Nightingale & Co. Limited									
27/28 Lovat Lane London EC3R 8EB. Telephone: 01-621 1917									
1978-80	High	Low	Company	Price	Change	Div (%)	Gross	Yield	P/E
99	73	Alparagrand	73	—	—	8.7	8.2	4.31	—
50	38	Armstrong and Rhodes	38	—	—	3.8	10.0	2.51	—
128	185	Bardon Hill	228	—	—	13.9	6.1	6.71	—
100	85	City Cars 10 75% Pref.	87	—	—	15.3	17.6	—	—
101	63	Deborah Ord.	67	—	—	10.0	10.0	8.7	—
353	140	Deborah 17% CULS.	350	—	—	17.3	9.0	—	—
34	34	Frank Howard	34	—	—	7.0	12.0	3.01	—
129	100	Frederick Parker	107	—	—	12.9	10.4	5.8	—
136	105	George Blair	105	—	—	10.5	15.7	—	—
85	45	Jackson Group	80	—	—	6.2	8.7	7.51	—
152	115	James Burrough	115	—	—	5.2	8.7	—	—
232	242	Robert Jonking	245	—	—	31.3	12.8	7.81	—
232	232	Tanday Limited	232	—	—	2.0	3.8	4.29	—
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# Lonrho will continue to grow around its long-established core of mining and agriculture

R.W. Rowland, Chief Executive

This is your Company's seventieth operational year, and I am confident that Lonrho will continue to grow around its long-established core of mining and agriculture.

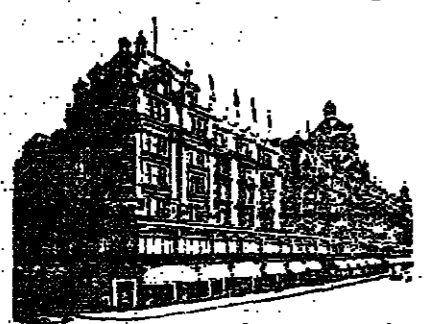
We feel that gradual expansion in the United Kingdom and the Western hemisphere is in the best long-term interest of Shareholders. This programme is now well under way, and you will see the Company progressing further from 1980 onwards, while maintaining our investment plans in Africa.

Exceptionally, profits are down this year, although the balance sheet has never been healthier. Heavy reinvestment has contributed to this and we have had trading problems in West Africa for which we have had to make provision. The SUITS Monopolies Commission hearings were an expense and restraint throughout the year, but happily with a successful outcome.

In 1979 your Company bought the Dutton-Forshaw Group, Harrison and Sons, and 50 per cent. of the Princess Hotel Group. We also acquired the remainder of the shares of Scottish and Universal Investments, which brought in a major holding in House of Fraser. You will find all these reviewed below.

You have some splendid assets, and I hope you enjoy reading about their progress last year. If you are a new Shareholder, the 19 year graphs on pages 52 and 53 will be of interest. May I call your attention to pages 30 and 31 where the Board set out the Group's general accounting policies which have been formulated by our Chief Accountant with our Auditors.

The management and employees of the Lonrho Group—world-wide—number over a hundred and forty thousand people, of whom sixty thousand work in the United Kingdom.



Harrods, Knightsbridge, London SW1.

## Mining and Refining

The mining companies had a particularly good year with profits up from £9.6 million to £31 million. The main contributors have been the platinum and the gold mines, with strongly increasing prices for these metals. In the past year we produced 358,000 ounces of gold, which realised an average price of US\$261 per ounce. At the time of this review prices are still well above this level.

Output of platinum group metals is up to 124,000 ounces, and production should be still higher this year. As with gold, our costs of production remain competitive and metal prices are currently well above last year's. Research into economic technology to exploit a second reef should be completed during the year; if successful, this would enable us to expand platinum group metal production quite significantly at a reasonable capital cost. Ore reserves are extensive.

Next in importance is coal, where output increased slightly to 2.58 million tonnes of bituminous coal and 500,000 tonnes of anthracite.

Copper mining, which is not large scale, produced a useful profit. The asbestos market was dull and sales decreased to 9,700 tonnes but profit was maintained.

Our exploration programme continues, with gold, coal and platinum as the principal targets. We hold several low-grade gold properties which are viable at a price of US\$250 to 300 an ounce. Obviously with prices well above this level they become profitable. Development of certain of these deposits is already in hand and we have also acquired options over a number of other properties, both dormant and producing. Gold output would increase substantially when these mines reach production.



Mining for gold.

## Agriculture and Ranching

We grew and sold 330,000 tonnes of sugar and the price per tonne improved.

The new Dwangwa sugar project in Malawi started up in June, on schedule, and our participations in the Kenana scheme in the Sudan and the Savé estate in Benin continue.

The Group's tea estates processed just under ten million pounds of tea this year, most of which was sold on the London market.

Your Company continues to be a major producer of wattle extract for leather tanning. Our other agricultural activities include oil seed processing, cereals, coffee, timber and tobacco, all of which did reasonably well.

The total herd of beef cattle is still 100,000 head, after sales of 20,000 head this year.

Young schemes started this year in Africa include a large mushroom farm in Kenya, branded "Eldoret Mushrooms", and an agricultural scheme in Zambia is producing maize, wheat, soya beans, onions, tobacco and potatoes. Beef cattle and pigs are also included in the still expanding farms, the pig unit being the largest in Zambia. There is a large area fed by overhead irrigation.

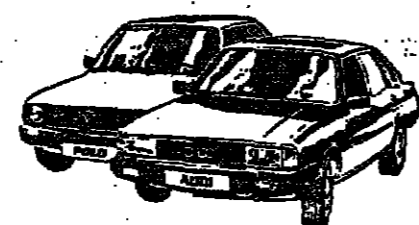
## Motors

World-wide, our subsidiaries consider that during 1980 sales should certainly exceed a hundred and fifty thousand vehicles.

In the United Kingdom, the Volkswagen-Audi franchise had a good year with sales of eighty-four thousand vehicles, about 5 per cent. of the market. We have a combination of first-class management, 350 well spread dealerships, and an exceptionally fine range of cars and commercial vehicles. The entire quota allocated to us was sold.

We have represented Mercedes-Benz in Zimbabwe and Zambia for very many years. We are probably Africa's largest and most widespread motor distributors holding nearly every major motor franchise in one country or another. We also sell motor cycles, tractors, trucks and earth movers.

Within SUITS, the Company now owns the profitable motor trading group, Dutton-Forshaw, which has a national spread of 89 outlets. Chief amongst these is Jack Barclay, the world's largest and most prestigious distributor of Rolls-Royce and Bentley.



Volkswagen Polo and Audi

During the year our Wankel licensee in Japan, Toyo Kogyo, has had considerable international success with the Mazda RX7, while promising research results have been achieved in the development of a diesel engine, for which patents and patent applications exist.

In the field of compressors and heat pumps the Wankel concepts have been applied with significant advantages over traditional designs and a leading manufacturer has announced definite interest in producing a range of automobile air conditioners utilising such principles.



Rolls-Royce and Bentley through Jack Barclay

## Aircraft and Cargo

Tradewinds, the cargo airline operating Boeing 707's out of Gatwick Airport, has struggled through the year, held back by fuel prices and contracting demand for air freight services.

The Lonrho Group has small aircraft based across Africa to service projects. The Falcon Executive jet, which logged millions of miles, was replaced in 1974 with a longer-range

Grumman II, averaging 1,000 flying hours a year for the Company.

The Beechcraft dealership sold sixty of their tough and popular aircraft to customers in Africa.

Kendall Globe Limited, the travel and freight agents based in England, achieved its targets for the year.

## Engineering, Steel and Manufacturing

Engineering in the United Kingdom has seen turbulent trading conditions in the last twelve months. The industry suffered a ten-week strike by transport drivers, a ten-week overtime ban and partial strike by the work force and severe winter weather conditions. Despite this, your engineering division achieved a small profit.

Firstel (cold rolled strip), J. Hartley and Company (metal fabricators) and Lightfoot Refrigeration experienced quiet trading conditions.

The steel-making plant at Hadfields in Sheffield and the process engineering company, Newell Dunford, were reorganised to meet market conditions. The division should now show a good return, if demand improves. Sales of billet and bar were 205,631 tonnes.

Sheer Pride, who make office furniture and filing cabinets at Weybridge, had a good year, despite the loss of the Iranian market. The three Emerald Stainless Steel companies in Eire, Malta and Leeds, large-scale manufacturers of sink tops, also traded well. The plumbing factors, Peter J. Hopkinson, produced a good result, and the Homeworship furniture factories expanded a profitable range with new products.

In Africa, our engineering and manufacturing plants had a slack year, but the economic outlook is decidedly better for 1980. Plans for 1980/1981 in Nigeria include the production of glass fibre boards, and a factory with an output of 100,000 motor cycles annually.



The new Dwangwa Sugar Factory in Malawi

## Textiles

I am glad to report that the African mills had a fair year, after the doldrums of 1977 and 1978.

At Cramlington, in the United Kingdom, Lonrho Textiles makes a prize-winning range of household polyester cotton products branded "Accord" which they are very actively promoting. The quality is such that they will, we hope, be the number two brand in the country in 1980/1981. The loss-making warp knitting and long staple spinning divisions were closed by the end of 1979. The factory is extremely modern and is one of the largest complexes in Europe. Union co-operation is excellent and, although this mill was bankrupt when we took it over, I think it may now be on the road to a lasting recovery.

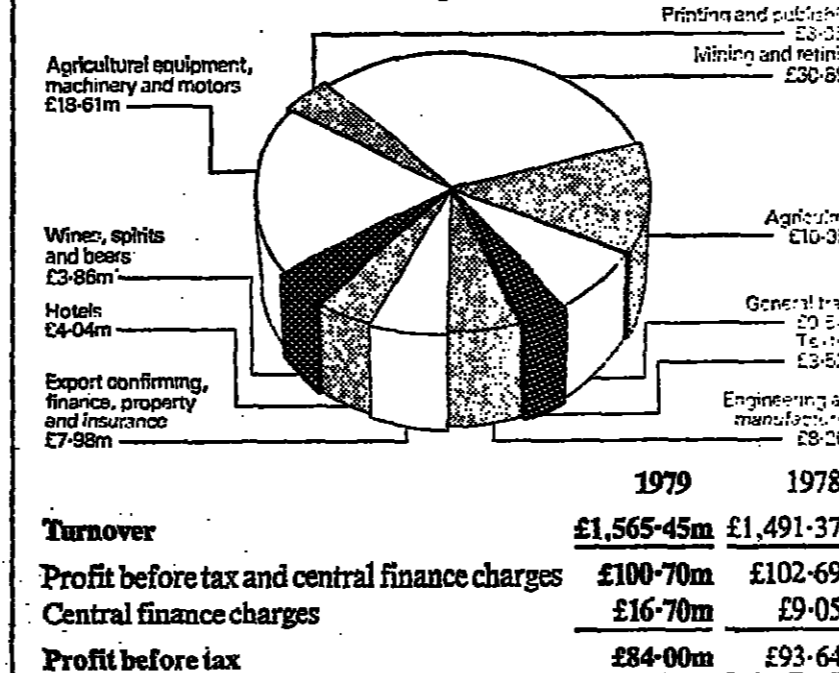
Taken as a whole, the textile division produced 120,217,183 metres of cloth.

## Balance Sheet at 30 September 1979

	1979 £m	1978 £m
<b>Funds Employed</b>		
Share capital	52.70	47.26
Reserves	325.78	283.16
Equity interest	378.48	330.42
Minority interests	82.16	83.55
Deferred tax	6.77	4.90
	<b>467.41</b>	<b>418.87</b>
<b>Loans</b>	<b>137.05</b>	<b>73.93</b>
	<b>604.46</b>	<b>492.80</b>
<b>Assets Employed</b>		
Fixed assets	385.84	358.18
Associates	125.87	94.65
Investments	23.60	27.20
Net current assets	69.15	12.77
	<b>604.46</b>	<b>492.80</b>
<b>Net assets per share</b>	<b>180p</b>	<b>175p</b>

## Analysis of group profit for year to 30 September 1979

(Including associates)



## Printing and Publishing

The intended move by Outramps, publishers of the "Glasgow Herald" and "Evening Times", to their new premises in Albion Street, Glasgow, will now take place in July 1980.

The "Glasgow Herald" achieved increases in both circulation and advertising during the year, while Scottish & Universal Newspapers, the publishers of 33 weekly newspapers across Scotland, continued the re-equipment of their printing centres and opened two new plants during a successful year.

Holmes McDougall are now benefiting from their rationalisation programme of previous years. They continue as publishers, booksellers and printers, and experienced a healthy rise in magazine circulation to 2,497,000 a year.

With the introduction of the new "Sunday Standard" in Kenya, we now have five newspapers operating in Africa. Printing and publishing had a relatively poor year overseas.

Since the year end, SUITS has bought Harrison and Sons, the specialist security printers. Apart from their normal business as printers, almost all the United Kingdom's postage stamps and those of a hundred foreign countries are produced on the advanced machinery of this famous firm.



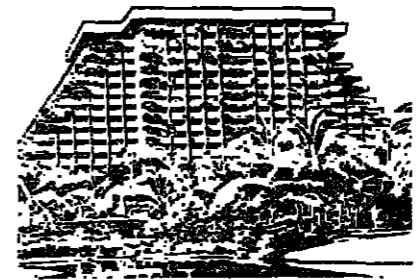
The London Metropole Hotel

## Hotels

The Metropole Group in Britain had a very good year, and profits increased by 35 per cent. The luxury Metropole Hotel in Birmingham attracted 450 conferences. Where it is economically attractive, we are expanding the hotels and upgrading their facilities, and in this we are using, wherever practicable, the services of your Group's excellent building company, Fassnidge Son and Norris.

The hotels in Africa, which are all sizeable and of good quality, have had a busy year.

Just after the year end, we agreed with Mr. Daniel K. Ludwig to become an equal partner in his company, Princess Properties. The assets of that company are seven outstanding luxury hotels. The Bermuda Hamilton Princess and Southampton Princess will be known to many of the Shareholders who have visited that lovely island, and ranking among the best in the world is the Acapulco Princess, Mexico, shown on page 2.



There are two hotels in the Bahamas, and an elegant city hotel in San Francisco, the Sir Francis Drake. There is now active joint management and a firm understanding to agree plans for a very fine hotel site in Mexico City, as well as to combine in future projects. The cost to your Company was US\$80 million, plus the issue of five million Lonrho shares to Mr. Ludwig.

## Property

Through our wholly-owned subsidiaries, London City & Westcliff and AVP Properties, we have commercial and industrial holdings in England and France, having a book value of £43 million.

Residential properties in England in the middle price range are gradually being sold.

## Wines, Spirits and Beers

The major assets in this section are the six French vineyards—Château Smith-Haur-Lafitte, Château La Garde, Château Rausan-Ségla, Château de la Tour, Château de Lamouroux and Château Olivier—the wine shippers, Louis Eschenauer of Bordeaux, and the Scottish whisky distilleries, Whyte & Mackay, which come within SUITS. The vineyards have done well, as have Louis Eschenauer, where sales were up 29 per cent. Volume sales of Whyte & Mackay increased 20 per cent. to 1,151,478 gallons.

In the North of England the Ashe & Nephew retail chain had sales of £34 million, and opened forty-six new outlets, bringing the total to 280 off-licences and bottle stores.

The Group's twenty additional beer breweries, which are operated in partnership with African Governments, continue to flourish. The beer is varied from country to country, to traditional recipes, but is generally low in alcohol content and high in protein.

We also have a Coca-Cola plant located in Zambia, which is one of the largest in Africa.



Whyte & Mackay Whisky

## Export Confirming and Broking

John Holt's export confirming with West Africa had to be severely reduced, as were the activities of Lonrho Exports, to weather a difficult year of economic changes in Western Africa. However, Balfour Williamson, our international confirming house, was able to achieve good profits and to expand.

The volume of cotton broking was maintained in a static market, where sharp currency movements made it necessary to adopt a cautious policy.

## Pipeline

Our oil pipeline connecting Zimbabwe with the eastern coast of Africa comes into strong focus following the lifting of sanctions in Zimbabwe. The pipeline has been closed since December 1965 when sanctions first came into force. To build such a pipeline now would cost £75 million and its potential, once the Unifil refinery is recommissioned, is considerable.

Our action against the oil companies, who were associated in the project, is not affected by the immunity given when sanctions were lifted in December, and we are vigorously pursuing our claims.

## SUITS and The Monopolies Commission

Our bid to acquire the remaining 70 per cent. of SUITS' shares was referred to the United Kingdom Monopolies and Mergers Commission in May 1978, on the grounds that SUITS, which is a major Scottish company, would be adversely affected by the amalgamation with Lonrho. After full and costly investigations lasting ten months, which included the detailed examination of our management and financial position, the Commission gave its complete approval to the merger.

Scottish shareholders in particular will be pleased to know that SUITS retains, and will keep, its direction and distinctive Scottish character and has already expanded to employ more than 10,000 people, with a turnover well in excess of £300 million.

With the acquisition of SUITS, the Group's total stake in the House of Fraser department store chain has risen to 29.99 per cent. There are no other major shareholders. Apart from Harrods, the 110-strong chain includes Barkers, D. H. Evans, Dickens & Jones, the Army & Navy Stores, Kendal Milne, Rackhams, Chiesmans and Dingles.

## Conclusion

I know you will want to join all members of the Board in expressing your appreciation of the hard work and initiative of those who work for Lonrho in the United Kingdom and overseas. I want to mention the many people who work for the Company in Zimbabwe, and whose welfare is our serious concern. We would like to thank Shareholders for their confidence in us through the year. It was particularly kind of so many of you to mail your proxies in support of the Board at our last Annual General Meeting.

Yours sincerely,  
R.W. Rowland

The seventy-first Annual General Meeting of Lonrho Limited will be held at the Great Room, Grosvenor House, Park Lane, London, W.1, on Friday 14th March 1980, at 12 noon.

# LONRHO

Lonrho Limited, 138 Cheapside, London EC2V 6BL

The text is taken from the Chief Executive's review contained in the 1979 Report and Accounts which will be published in mid-February. Copies will be available from The Secretary, Lonrho Limited, 138 Cheapside, London, EC2V 6BL.

# Hillards moves ahead to £1.3m in first 28 weeks

For the 28 weeks ended November 10, 1979, Hillards, West Yorkshire based supermarket operator, reports turnover up from £53.82m to £56.53m and pre-tax profits of £1.34m, against £1.18m in the same period of 1977-78.

The directors point out that the previous year's figures included £8.1m turnover and £275,000 trading loss of Capital Discount stores which were acquired in June 1978 and ceased trading in March last year.

First half profits are after interest paid of £58,000 (£14,000 credit). Tax takes £55,000 (£410,000) giving earnings per share of 10.89p against 6.56p. The interim dividend is effectively raised from 1p to 1.25p—the previous total was equal to 3.5p from pre-tax profits of £2.53m.

Three new stores (one during the first half) have been opened so far this year. Another store is to open by the end of the current year and a site has been bought for a new store to be built and opened by Autumn 1981.

The board is confident that the benefits of the new stores will be reflected in the group's progress in the years ahead.

## comment

Stripping Capital Discount out of last year's figures, sales at Hillards are up 18 per cent, and pre-tax profits down 10 per cent. One factor depressing profits is pre-opening expenditure at three stores—the company declines to quantify the amount, though one outside estimate puts it at £300,000. Hillards has also been a net saver of interest, with the new

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are intended or final and the sub-divisions shown below are based mainly on last year's statements.

TODAY	
Interim—Crouch Group, Stanberg, Unilever	Feb. 12
Final—Aronson Brothers, English and New York Trust	Feb. 13
FUTURE DATES	
Interim—Meat Trade Suppliers	Feb. 12
Interim—Kingsway	Feb. 12
Final—Frimley Properties	Feb. 7
Interim—Drayton Commercial Investment	Feb. 7
Interim—Drayton Far Eastern	Feb. 7
Interim—Prudential Corporation	Mar. 28
Interim—Debenure Corporation	Mar. 28
Interim—Witner Thomas	Feb. 13

stores making demands on the £4.4m which it kept on lucrative short-term deposit last year. The company says it maintained net margins in the first half around last year's 3.2 per cent. But it is now responding to the price-cutting initiated by its home territory by Asda, which could bring that margin down to around 2.5 per cent by the year end. Analysis expected a full-year out-turn of £3.1m, giving a prospective p/e of 11.3 at 15.1p down 9p. A similar increase in final dividend gives a prospective yield of 4 per cent. With price war seemingly a recurrent feature of the food retail scene, the p/e at three points over sectors looks to discount future growth.

## KEEP INVESTMENT

The Keep Investment Trust has received valid applications

## NOTICE OF REDEMPTION

To the Holders of

### Plywood-Champion International Finance Company

#### 5½% Convertible Guaranteed Debentures due 1983

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of February 15, 1980 providing for the above Debentures, \$216,000 principal amount of said Debentures have been selected for redemption on February 15, 1980 (the "Redemption Date"), through operation of the Sinking Fund at the redemption price of 100% of the principal amount thereof, together with accrued interest thereon to said date, as follows:

Those outstanding Debentures of \$1,000 each of prefix "M" bearing numbers ending in the following two digits:

04 06 22 30 32 41 61 65 85 87

And outstanding Debentures of prefix "M" bearing the following numbers:

787 1067 1597 4367 4587 5067 5167 5367 5967 6867 7367

On February 15, 1980, the Debentures designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Debentures will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the Redemption Date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015, or (b) at the main offices of any of the following: Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London or Paris; Banca Vowiller & C. S.p.A. in Milan; Banque Bruxelles Lambert S.A. in Brussels; and Banque Internationale à Luxembourg S.A. in Luxembourg. Payments at the offices referred to in (b) above will be made by check drawn on a bank in New York City or by transfer to a dollar account maintained by the payee with a bank in New York City.

Coupons due February 15, 1980 should be detached and collected in the usual manner.

On and after February 15, 1980 interest shall cease to accrue on the Debentures herein designated for redemption.

Debentures are presently convertible into Common Stock of Champion International Corporation (formerly U.S. Plywood-Champion Papers Inc.), at the offices mentioned above, at the rate of 37.38 shares of such Common Stock for each \$1,000 principal amount of Debentures.

The right to convert any of the above Debentures called for redemption will expire at the close of business on the Redemption Date.

Plywood-Champion International Finance Company

Dated: January 15, 1980

## NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

DEBENTURES OF \$1,000 EACH									
M- 924	2072	2151	3024	4390	4565	4851	5091	6865	7372
7376	7672								

# Union Corporation Group U.C. Investments Limited

(Incorporated in the Republic of South Africa)

## PRELIMINARY ANNOUNCEMENT

The income statement for the year ended 31st December, 1979, shows:

	1979	1978
Income from investments	14,679	9,864
Surplus on realisation of investments	2,877	585
Portion of provision for writing down investments no longer required	300	1,700
Recoupment of amounts previously written off mineral rights and prospecting expenditure	52	—
	17,908	12,149
From which must be deducted:		
Directors' Fees	30	30
Interest paid on unsecured loan	17	—
Other expenditure—net	96	24
	126	71
Profit before taxation	17,782	12,078
Taxation	1,766	—
PROFIT AFTER TAXATION	16,016	12,078
Retained surplus brought forward	344	356
AVAILABLE	16,360	12,434
Earnings per share (cents)	85.2	61.9

**DECLARATION OF DIVIDEND** A Final Dividend No. 33 of 43 cents per share in respect of the year ended 31st December, 1979, (making a total of 60 cents per share for the year) has been declared payable to members registered in the books of the Company at the close of business on 22nd February, 1980. The dividend is payable in South African currency. Registered Members with payment addresses in southern Africa will be paid from the Registered Office and the warrants will be drawn in South African currency. Registered Members with payment addresses elsewhere will be paid from the London Transfer Office and warrants will be drawn in United Kingdom currency: the date for determining the rate of exchange at which

The Balance Sheet at 31st December, 1979, shows:

	1979	1978
Share capital and reserves	42,060	37,144
Mineral rights and prospecting expenditure, at cost, less recoupments and amounts written off	1	1
Investments		
Limited Shares (Market value R254,940,000: 1978—R123,462,000)	38,220	34,252
Unlimited Shares (Directors' Valuation R2,365,000: 1978—R3,491,000)	2,365	2,725
Debtors and Cash Assets	11,068	5,661
Loan Portion of Taxation	121	58
	51,775	42,697
Deduct: Current Liabilities	9,715	5,553
	42,060	37,144

The Directors have declared a final dividend for 1979 of 43 cents South African Currency per share which, together with the interim dividend of 17 cents per share declared in July last, makes a total distribution for the year of 60 cents per share absorbing R11,700,000 (1978:R8,190,000).

South African currency will be converted into United Kingdom currency by 11th March, 1980. Such Members may, however, elect to be paid in South African currency provided that any such request is received either at the Registered Office or the London Transfer Office on or before 22nd February, 1980. Dividend warrants will be posted from the Registered Office and the London Transfer Office on or about 22nd April, 1980. The register of members of the Company will be closed from 25th February, 1980, to 29th February, 1980. The dividend is payable subject to conditions which can be inspected at the Registered Office or at the London Transfer Office of the Company.

per pro UNION CORPORATION (U.K.) LIMITED,  
London Secretaries,  
L. J. Baines,  
Princes House, 95 Gresham Street, London EC2V 7BS.

# Marley plans more purchases

THERE IS ample scope and opportunity for further organic development at Marley which will continue to be the main-spring of the group's prosperity, Mr. O. A. Aisher, chairman, says in his annual statement.

However, future policy is to accelerate total growth by incorporating a programme of prudent buying of suitable companies in the UK and abroad.

During the past year, the group made a number of investments in companies in Brazil, South Africa, France and the U.S., as well as the UK. Total investments in these companies amounted to £7m, "a modest enough figure but one which we expect to exceed many times over in the years to come," the chairman says.

During the 1979s, turnover grew at compound annual rate of 15 per cent, pre-tax profits at 21 per cent, earnings per share at 26 per cent and capital employed at 17 per cent. To match this growth in the 1980s, the chairman says, the group realises that it must devote a substantial part of its financial services to investment in new companies.

Taxable profits rose 19 per cent to a record £23.07m (£18.62m) in the year to October 31, 1979, as reported on December 13. The net total dividend is lifted 43 per cent to 4p (£2.78088p).

On a CA basis, the pre-tax surplus is reduced to £14.74m, compared with £14.62m last time. At balance date, group fixed assets were up from £88.37m to £104.53m, while net current assets totalled £59.04m (£42.51m). Borrowed money amounted to £51.24m (£31.92m).

Future capital expenditure includes £10.02m (£4.88m) in the UK, of which £2.88m (£1.77m) has been contracted; and overseas unchanged at £4.04m, of which £1.05m (£3.03m) has been contracted.

Meeting, Sevenoaks, March 5, at noon.

# Whitworth Electric static

A MODEST increase in profits from £164,019 to £169,279 for the six months to September 30, 1979 is reported by Whitworth Electric (Holdings), wholesale electrical distributor, on turnover higher at £3.44m, against £4.9m. Tax charged was £98,077 (£85,290) and stated earnings per 50 share of this close company are 2.05p against 1.99p.

In the previous year, pre-tax profits were £406,000 (£206,000) from turnover of £10.58m (£9.06m).

## GIDDINGS & LEWIS-FRASER

Giddings and Lewis-Fraser advises that £512,675 of its 10 per cent convertible unsecured loan stock 1978/89 is being converted. The company has already purchased for cancellation £477,200 of stock, leaving £1,010,125 outstanding.

## King & Shaxson

52 Cornhill, EC3 3PD  
Gift-Edged Portfolio Management  
Service Index 4.2/60  
Portfolio I Income 78.83  
Portfolio II Capital 78.39  
Portfolio III Capital 123.33

# MINING NEWS

# Inco's earnings stride forward in 1979

BY KENNETH MARSTON, MINING EDITOR

CANADA'S Inco, the world's leading producer of nickel, has achieved the promised further rise in fourth quarter 1979 earnings and has made a confident start to 1980 by lifting the regular quarterly dividend rate to 15 U.S. cents (6.6p) from 10 cents.

The group's fourth quarter earnings have advanced to £15.58m to make a total for 1979 of \$141.7m, equal to \$1.58 per share, compared with \$77.5m, or 77 cents a share, in 1978. The past year's value of sales, however, has risen less dramatically to \$2.49bn from \$2.08bn.

There are two main reasons for the big recovery in the past year's earnings. The first is the increase in prices for nickel, copper and formed metal products—the KESB battery subsidiary made a relatively

modestly increased contribution—and the second reason is the UK tax change which provides relief on increases in the value of stocks. The latter was worth \$32.4m last year.

However, earnings would have been considerably greater were it not for the strike which hit the Sudbury, Ontario, operations at a cost of \$75.5m. This stoppage last year of \$2.45m in 1978 and it lasted from September 18, 1978, until June 3, 1979.

Also on the debit side were exchange losses of \$12.7m while there was a net reduction of \$8.1m in earnings which was attributable to the Indonesian and Guatemalan projects, principally as a result of interest charges.

Group nickel sales last year rose by 5 per cent to 394m lb while copper sales were hit by

the Sudbury strike and fell by 43 per cent to 128m lb. Inco's nickel production last year fell to 225m lb from 267m lb in 1978 and at the end of 1979 its stocks of finished metal stood at 88m lb compared with as much as 280m lb at end-1978.

As far as metal prices are concerned, Inco received an average for its nickel products last year of \$2.45 per pound compared with \$1.98 in 1978 while the average copper price was 81 cents per pound compared with 61 cents in 1978.

At the moment nickel and copper prices are considerably higher—as are those of the group's important by-product precious metals—and with the prospect of increased sales of copper this year Inco's confidence in raising the quarterly dividend rate is understandable.

# Falconbridge nickel pushes fulltime profit to CS130m

CANADA'S Falconbridge Nickel has closed 1979 with a flourish. Fourth quarter earnings amount to \$348.1m (£18.3m) and bring the year's total to CS130.6m, equivalent to CS25.4p per share. This compares with only CS85.8m, or 22 cents, in the depressed conditions of 1978.

As with other transatlantic producers of base metals, the group's recovery in fortunes at Falconbridge has followed the revival in metal prices which remain very firm. At the same time the group has enjoyed higher sales of nickel and copper. Its revenue from all sources last year expanded to almost CS232m from CS83.7m.

The 50.2 per cent-controlled Falconbridge Copper subsidiary made a record profit last year of CS46.5m compared with CS15.1m in 1978 while the 19.16 per cent-owned gold and silver-producing Giant Yellowknife earned CS28.3m against CS3.7m.

Falconbridge Nickel also holds 48.4 per cent of the silver-leader producing United Keno Hill, which raised 1979 earnings to a record CS20.7m from CS3.8m. The major shareholder in Falconbridge Nickel is McIntyre Mines which has a stake of 37 per cent.

# White shares battle ebbs

THE White Industries board has claimed control of 51 per cent of the equity capital, dampening the frenzied buying on Australian exchanges which last week took the share price up from A\$8 to A\$30.50, reports James McCall.

The board revealed that the White family had received an approach from Board Corporation to buy its 20 per cent stake, which was rejected. The family also rejected an offer to sell a parcel of shares comprising about 35 per cent of the capital.

The claim of 51 per cent control came after a weekend's defensive action which involved Mitsubishi of Japan expanding its 8.8 per cent stake, and the winning of shareholders' agreement not to sell their stock for at least six months, or, if they did wish to sell, to grant an option of first refusal to Mr. G. B. White, the chairman.

On the market yesterday, White shares were first marked down to A\$13, but they later recovered to over A\$20 and closed at A\$17.50 (83.2p).

## ROUND-UP

Lourhe says that development is already in hand at some of the low grade gold deposits which are viable at bullion prices of \$250 to \$300 per ounce and options have been acquired over others. Gold production should increase substantially when these mines reach production, says Lourhe. Mining and refining, notably of platinum, produced profits of £31m for the group in the year to September 30, compared with £9.6m in 1977-78. The group's total pre-tax profit for the past year amounted to £100.7m.

Australia's gold-producing Central Newcrest reports a half-year profit of A\$10.48m (£5.11m).

# Sunshine plans for silver certificate

SUNSHINE MINING'S plans to raise cash against its silver holdings moved a stage further yesterday. The company, one of the major U.S. silver producers, said it had filed details of a proposed public offering of \$50m (£21.9m) of silver certificates with the Securities Exchange Commission.

The move came shortly after the disclosure that a group of Arab investors had built up a stake of 26 per cent in Sunshine. The investors exercised an option to buy 500,000 shares on top of 1m shares bought last December.

All the shares cost \$21.25 each, putting a total value on the deal of \$20.4m (£8.4m).

The issue of the silver certificates will be managed by an underwriting group led by Drexel Burnham Lambert and is expected to take place in about four weeks.

The offering is for certificates due on March 1, 1985. The principal amount of each certificate will be whichever is the greater of \$1,000 or the price of a certain number of troy ounces of silver bullion, Sunshine said. No further details were available.

The certificates will be secured against a percentage of the annual production from Sunshine's silver mine. The company has 57 per cent of the Sunshine mine in Idaho. Sunshine's idea of silver-backed bonds has been current for some time, but it had originally been thought that the first offerings would be on a private basis.

# UC Investments boosts final

THE General Mining-Union Corporation's gold and platinum investment subsidiary, UC Investments, is raising its final dividend to 43 cents (23p) to make a total for 1979 of 60 cents against 42 cents for the previous year.

This reflects a rise in earnings to R18.8m (£8.9m) from R12.1m in 1978. The main factor has been, of course, the flow of higher dividends from the group's gold and platinum investments, a trend which is likely to continue in the current year.

The higher profit has been achieved despite the much smaller recoupment in the past year of amounts previously written off investments. This has offset the effects of the lateral rise in share realisation profits when account is taken of the tax payable on them.

At the end of 1979 the market value of the investment portfolio was, R257.3m compared with

# Phelps: iron find in Transvaal

PHILIPS DODGE, the U.S. group, has outlined a major iron ore deposit near Pietersburg in South Africa's northern Transvaal, reports Jim Jones from Johannesburg.

"There are large deposits of iron ore which can be upgraded to high grade concentrates," said Dr. Pat Ryan, the Phelps managing director in South Africa, yesterday.

Although precise details on the deposit are available from Phelps, unofficially it is apparent that several hundred million tonnes of ore seem to be available for open-pit mining, with further significant reserves available for underground operations.

Again, unofficially, the Pietersburg area is of better quality than the ore with 64 per cent iron run made, mined in the important Sibben-Potmasburg area, which provides the bulk of South Africa's exports.

Further, the Pietersburg area is reported to contain less impurities than the Sibben-Potmasburg material, while it can be readily pelletised for feeding into blast furnaces. But development plans for the deposit remain vague. "It's all up in the air. We just see it as a long-term proposition," said Dr. Ryan.

It is clear, however, that development depends on an improvement in the world steel market. One plan apparently being examined is the establishment of a blast furnace reduction operation at Pietersburg to produce sponge iron. This could then be converted to a 49 per cent interest in the development being financed by Gold Fields of South Africa at the Stock Mountain copper-lead-zinc-silver mine in the northern Cape, while its Chemspaar unit operates a small fluorspar mine in western Transvaal.

Investment income		1979	1978
Investment income	14,679	9,864	
Surplus on realisation of investments	2,877	585	
Inv. prov. not needed	300	1,700	
Recoupment of prop.	52	—	
Expenses	17,908	12,149	
Making	30	30	
Directors' fees	30	30	
Interest on unsecured loan	17	—	
Other expenditure (net)	96	24	
Profit before tax	17,782	12,078	
Tax	1,766	—	
Profit after tax	16,016	12,078	
Retained surplus	344	356	
Available	16,360	12,434	
Earnings per share			
(cents)	85.2	61.9	

## BASE LENDING RATES

A.B.N. Bank	17%	Guinness Mahon	17%
Allied Irish Bank	17%	Hambros Bank	17%
Amro Bank	17%	Hill Samuel	17%
American Express Bk.	17%	C. Hoare & Co.	17%
Bank of Africa	17%	Hongkong & Shanghai	17%
A.P. Bank Ltd.	17%	Industrial Bk. of Scot.	17%
Barclays Bank	17%	Keweenaw	17%
Banco de Bilbao	17%	Knowles & Co. Ltd.	18 1/2%
Bank of Credit & Commerce	17%	Lloyds Bank	17%
Bank of Cyprus	17%	Edward Mannion & Co.	18%
Bank of N.S.W.	17%	Midland Bank	17%
Banco de Portugal	17%	Samuel Montagu	17%
Banque du Rhone et de la Tamise S.A.	17 1/2%	Morgan Grenfell	17%
Barclays Bank	17%	National Westminster	17%
Bremar Holdings Ltd.	18%	Norwich General Trust	17%
Brit. Bank of Mid. East	17%	P. S. Refson & Co.	17%
Brown Shipley	17%	Reminister	17%
Crown Perm Trust	17%	Ryl. Bk. Canada (Ldn.)	17%
Cayzer Ltd.	17%	Schlesinger Limited	17%
Cedar Holdings	17%	E. S. Schwab	17%
Charterhouse Japhet	17%	Security Trust Co. Ltd.	18%
Choulatons	17%	Standard Chartered	17%
C. E. Coates	17%	Trade Dev. Bank	17%
Consolidated Credits	17%	Trustee Savings Bank	17%
Co-operative Bank	17%	Tuvalu Central Bk.	17%
Corinthian Secs.	17%	United Bank of Kiwit	17%
The Cyprus Popular Bk.	17%	Whiteaway Laidlaw	17%
Dunlop Leavie	17%	Williams & Glyn's	17%
Eagle Trust	17%	Yorkshire Bank	17%
E. T. Trust Limited	17%		
First Nat. Fin. Corp.	18 1/2%	Members of the Accepting Houses Committee	
First Nat. Secs. Ltd.	18%	7-day deposits 15%, 1-month 15 1/2%, 3-month 16%, 6-month 16 1/2%, 1-year 17%	
Robert Fraser	18%	7-day deposits on sums of £10,000 and under 15%, up to £25,000 15 1/2% and over £25,000 15 1/2%	
Antony Gibbs	17%	Cell deposits over £1,000 15%, Demand deposits 15%	
Greyhound Guaranty	17%		
Grindlays Bank	17%		

## EUROPEAN OPTIONS EXCHANGE

Series	Vol.	April	Last	Vol.	July	Last	Vol.	Oct.	Last	Stock
AKZ C	F.28.50	75	3.30							F.26.50
AKZ F	F.28.50	40	1.40							
AKZ G	F.27.50	116	0.50							

INTERNATIONAL COMPANIES and FINANCE

مكتبة الاقتصاد

NORTH AMERICAN NEWS

GM offers \$500 rebate to offload 1979 models

By David Lascelles in New York

IN A BID to get rid of thousands of unsold 1979 cars and trucks, General Motors is to offer a rebate of \$500 per vehicle to anyone who buys between now and March 10. The offer is designed specifically to offload GM's larger models, which have become less popular with the recent sharp rise in the price of petrol. Chevrolet, Pontiac, Buick and Oldsmobile. The offer also covers Chevy and GMC vans. However, these models are by no means universally available. GM is calling its special pro-

motion a "treasure hunt" because purchasers will have to seek out cars carrying the special offer. A promotional campaign along those lines began in the U.S. media yesterday. GM says about 50,000 unsold cars and 25,000 vans are covered by the deal, which means it could cost the company about \$25m if all these cars are sold. The promotional offer is the first GM has used since car sales last went through the doldrums in 1975, though, ironically, at that time the rebate was designed to spur sales of small, fuel-efficient cars. But the timing also appeared to have been influenced by Chrysler's announcement 10 days ago of a major promotion campaign which includes unprecedented money back and free servicing guarantees. The GM offer coincided with the announcement from Detroit that the U.S. car industry produced 32 per cent fewer cars in January than in the same month last year. The 1980 total was 322,118, compared with 772,587 in 1979. Truck and bus output was 166,838, down from last year's 335,326. GM's January car output was 277,055 down from 444,314.

BASF buys Fritzsche Dodge

By Roger Boyes in Bonn

BASF, the large diversified West German chemicals concern, has announced the takeover of Fritzsche Dodge and Olcott, a New York-based chemical company. The takeover is part of a strategy to build up production facilities in the U.S. Fritzsche Dodge and Olcott specialises in acids and flavour additives—thus complementing BASF's activities in this field. It has production units in the U.S., Brazil and Mexico. It has a turnover of about \$80m and employs some 850 workers. BASF has been searching for and acquiring small to medium sized U.S. companies recently, with a view to maintaining market presence, reducing the impact of the weak dollar on its DM-priced exports and of keeping down production and labour costs, which are high in the German chemical industry. In line with this market strategy, BASF last year took a large stake in the vehicle paint section of Cook Paint and Varnish Company to give it access to the U.S. market for automotive coatings. All the major German chemical concerns have been stepping up their investment overseas and the U.S. is an important target—last year 17 per cent of BASF's total investment was allocated outside Europe, compared to 14 per cent in 1978. The latest acquisition reflects

both BASF's interest in the expansion of special product operations, in particular, fine chemicals for the pharmaceutical, cosmetics and perfume industries, and also the company's wish to broaden its base in Latin America as well as the U.S. BASF, which has U.S. interests ranging from chemical related concerns to the audio-video market, has been focusing on the acquisition of smaller companies in order to avoid anti-trust complications. No such problems are expected from the Fritzsche deal, which none the less still has to be finally approved. Company executives declined yesterday to name the cost of the deal.

North Sea oil boosts Allied Chemicals

By Our New York Staff

ALLIED CHEMICAL, the seventh largest chemical company in the U.S., with large energy interests, more than doubled its fourth quarter earnings, due partly to sharply higher sales of North Sea oil.

Profits were \$67.4m or \$2.20 per share, up 128 per cent on the previous year's \$29.6m or \$1.04. Sales during the quarter were \$1.3bn up 67 per cent on the previous year.

Allied's 29 per cent working interest in the Piper and Claymore fields in the North Sea was a major factor in these gains, though Allied also attributed them to higher sales of gas from the Babak field in Indonesia as well as domestic oil and gas product sales.

Allied's full year earnings from continuing operations were \$175.0m or \$5.85, up 15 per cent on the \$152.7m or \$5.10 earned in 1978. However, these earnings were reduced by several write-offs on sales of unprofitable businesses, mainly coke and coal.

Allied also revealed yesterday that it has filed with the Securities and Exchange Commission for an offering of 4m shares of common stock. The offering is to be underwritten by a group managed by Goldman Sachs, Lazard Freres and Lehman Brothers Kuhn Loeb.

A testing time for the banks

Doubts are being voiced regarding the outlook for domestic and international earnings of the top U.S. banks, reports STEWART FLEMING, from New York. However, few analysts expect a repetition of the 1975 banking crisis

IN THE five years since real estate losses running into billions of dollars and a deep recession punctured the complacency of the American banking industry, the nation's banks have been vigorously rebuilding their profitability.

But now, after three years of sustained profits growth which culminated with a 20 per cent earnings gain last year, following a 35 per cent rise in 1978, there are signs that conditions are likely to get tougher for the U.S. banks.

With the re-emergence of another enormous current account surplus by the Organisation of Petroleum Exporting Countries threatening to create financing problems for some of the more advanced developing countries which have been borrowing from banks, and the U.S. economy weakening, 1980 could provide the first serious test of the wisdom of lending decisions the banks have made during the past economic upswing.

How the banks survive this test has important worldwide implications. Since 1974, the U.S. banks, through the dominant role they have played in recycling OPEC's current account surplus, have become an even more vital element of the world's financial system. Should they now run into serious problems with their existing loan portfolios, the challenge posed by recycling the re-emerging OPEC surplus—which could hit \$100bn this year—will be that much more formidable.

some potential borrowers and regulatory or internal lending limits, will no doubt tend to encourage greater selectivity in deciding how to lend and to whom.

But another important factor which could influence lending decisions will be profitability.

It is already clear that by the fourth quarter of last year, a marked slowing in the profits growth of the big U.S. money centre banks was under way. The slowdown stemmed in part from the impact of the Federal Reserve Board's October anti-inflation package which sent U.S. interest rates soaring.

The rise in interest rates hit fourth quarter earnings in two important ways. Initially, there was a marked slowdown in the pace of business loan demand which had been strong in the third quarter. In addition, the rise in the cost of funds tended to squeeze the margin between these costs and the rate banks could charge to borrowers.

The abrupt change in the interest rate outlook may also have hit banks in other ways. The most dramatic example of the problems that can arise was provided by the fourth quarter results of First National Bank of Chicago, whose earnings plunged 50 per cent to \$17.5m. Earlier in the year the bank had taken a view that rates would fall rather than rise and had expanded its fixed rate loan portfolio. This proved to be an expensive mistake when the cost of financing those loans rose.

Another surprisingly bad earnings report came from National Bank of North America, the recently acquired National Westminster Bank subsidiary, which reported a

profits decline of 8 per cent to \$17.02m. NatWest attributed the result to the adverse impact of U.S. interest rate movements on NENA's fixed loan book during the final quarter of the year, as well as to substantially increased payroll costs introduced immediately after the takeover.

Upward surge

No other leading money centre bank seems to have been so badly caught by the upward surge in rates. But as pointed out by the Bank of America, the largest U.S. bank, recent growth has been increasingly dependent on a higher volume of assets to overcome declining margins. This comment seems to apply generally. While earnings for the first 100 major U.S. banks to report their last quarter rose by almost 20 per cent for the year, according to a bank stock analyst at M. A. Schapiro, the gain for the fourth quarter had slowed to 13 per cent.

In the current year, it is widely expected that asset growth will slow significantly, particularly in the U.S., while the outlook for lending margins is uncertain.

So far as demand for loans is concerned, it is expected that consumer loan demand will be squeezed by shrinking real incomes, the already historically high debt burden consumers have shouldered, and the fact that high borrowing costs should discourage consumer borrowing, particularly in the mortgage market. The housing industry is already under pressure from high interest rates. Business loan volume is expected to be sluggish given the

weakness of the economy. However, it seems unlikely that there will be a repeat of 1975, when corporations actually reduced their borrowing.

Many bank analysts are predicting that earnings will grow by no more than 10 per cent this year. Such forecasts tend to assume some easing in short-term U.S. interest rates as the year progresses.

But predicting interest rates is no easier this year than it was last. Much could go wrong with these quite optimistic earnings predictions.

If the outlook for the domestic earnings of the banks is difficult to assess, the same applies with even greater force to the international market. There is now considerable uncertainty about how big a role commercial banks will be willing to play in recycling to such countries the OPEC current account surplus. Mr. Willard Butcher, of Chase Manhattan, says that more official activity will be needed in this task now than in the wake of the oil price rises of 1974.

One view, however, is that assuming that rates of return on syndicated loans do become more attractive, the banks' enthusiasm for such business will rapidly revive and shareholders could again see rapid growth of overseas assets and widening spreads adding to banks' overseas earnings.

This will be no consolation to those critics of the big banks, who worry about the scale of banks' commitments and suspect that it is only a matter of time before serious problems show up in banks' foreign loan portfolios.

RESULTS FOR 1979

Bank	Assets \$bn	Change %	Net income for year \$m	Change %	Return on assets %	Fourth quarter income \$m	Change %	Shareholders' funds \$bn
Bank America	108.4	+14.0	600.0	+16.7	0.64	158.0	+7.6	3.5
Citicorp	106.4	+21.0	544.2	+13.0	0.58	154.2	+30.1	3.6
Chase	64.7	+5.8	311.2	+58.0	0.52	76.7	+31.0	2.0
Mfrs. Hanover Tst.	47.7	+17.6	211.3	+16.3	0.51	51.7	+13.8	1.6
J. P. Morgan	43.5	+12.9	288.3	+8.0	0.71	73.2	-5.6	1.9
Continental Illinois	35.7	+15.0	194.1	+15.0	0.58	50.4	+6.4	1.4

Tax hits Century-Fox earnings

By Our Financial Staff

AN INCREASE in effective tax rate brought reduced earnings for 1979 at Twentieth Century-Fox Film, despite a sharp upturn in the final quarter. For the full year earnings slipped from \$58.4m to \$57.3m, with diluted earnings at \$6.62 a share against \$7.07 a share. A gain of \$3 per cent brought sales to \$678.4m, up 1.2 per cent. Mr. Dennis C. Stanfill, the chairman, said that earnings for the fourth quarter, which jumped by 54 per cent to \$10.5m, were boosted by improved earnings from film processing operations, international theatres and also by the inclusion of Pebble Beach Corporation. Diluted earnings for the final quarter rose from 77 cents to \$1.24 a share. Sales, at \$182.3m, gained 16 per cent. The company commented that earnings from feature film showings declined by comparison with the previous year, when Star Wars generated significant revenue in foreign markets. Licensing of feature films to television contributed \$20.6m to net earnings in 1979. The non-theatrical licensing of feature films to cable, pay television and syndicated

markets also made an important contribution to profits. Licensing of feature films to networks will continue to be an important factor in 1980. The television division reported improved results reflecting the syndication of the film "Mash" and prime-time network series. Film processing earnings increased considerably in 1979 because of improved margins. International theatres had improved results, while soft drink bottling and television broadcasting figures were down slightly.

Schlitz loses \$50m after brewery sale

By Our New York Staff

SCHLITZ, the ailing number three brewer, yesterday reported a \$50m loss for 1979, but said that much of the deficit resulted from the sale of a brewery to improve the company's basic operations. The loss compared with a profit of \$12m, or 41 cents a share, in 1978. Sales for 1979 were \$1.04bn, down from \$1.48bn. A write-off of \$39.5m on the brewery sale was included in the fourth quarter. As a result, Schlitz lost \$44.5m in that period compared with a loss of \$12m the fourth quarter of 1978. Sales for the period were \$224.3m, down from \$225.5m. Schlitz sold its brewery in Syracuse, New York, to Anheuser-Busch, the largest U.S. brewer, for \$100m payable in three instalments over two years. Mr. Daniel McKeithan, the Schlitz chairman, said that the sale should help the company to improve its operating results by raising capacity utilisation. Schlitz would also have the proceeds from the sale to use in its operations. Mr. McKeithan claimed, though, that the company's financial position was strong; net working capital increased by \$47.1m in 1979 and long-term debt was cut by \$9.3m, and now stood at \$131m. Schlitz's difficulties have led it to consider merging with other companies. But although talks went on sporadically last year, serious negotiations are understood to have been halted until the company can improve its commercial strength.

ERC committee dissolved

HOUSTON—American General Insurance and Bache Group, the two members of the ERC Shareholders' Protective Committee, have decided to pursue their interest as shareholders of ERC independent of the Committee. Each member of the Committee was advised by the State of Kansas Insurance Department that the committee must file an application seeking approval from the Kansas Insurance Commissioner to continue to act as a Committee. While American General and Bache do not agree with the staff of the Kansas Insurance Department they agreed to dissolve the Committee rather than take action in opposition to an insurance regulatory agency. A spokesman for American General emphasised that American General continued to be concerned that the management of ERC has not acted in the best interest of shareholders. AP-DJ

DC-10 grounding blamed for Continental Air loss

By Our Financial Staff

THE GROUNDING of all DC-10 aircraft for 37 days last summer by the Federal Aviation Authority is blamed by Continental Air Lines for a loss of \$13.2m for 1979. Mr. Robert F. Six, the chairman, said that but for the groundings, the airline would have been in profit. In 1978, Continental earned \$49.2m. At share level, the 1979 loss was 87 cents, compared with a profit of \$3.29 last time. Revenues, however, rose from \$774.7m to \$827.6m.

A loss of \$10.7m was recorded in the final quarter, compared with a loss of \$314,000 in the same period of 1978. The share loss increased from 2 cents to 70 cents. Revenue continued to increase, to \$245.2m from \$205.2m. In addition to the DC-10s grounded, the company referred to increased fuel costs as a factor in last year's loss. The rise from 40 cents a gallon to 73.5 cents cost the company an additional \$68m.

Slump in steel forecast

DETROIT—Mr. David Roderick, U.S. Steel Corporation chairman, has predicted a drop of about 10 per cent in steel shipments this year from the 1979 level. He said that between 80m and 92m tons will

be shipped in 1980, compared with 100m tons in 1979. Mr. Roderick also forecasted a drop of 5 to 6 per cent in steel consumption. He attributed some of the fall in shipments to lower car and truck sales. Reuter

AMERICAN QUARTERLIES

AMERADIA-HESS	1979	1978	COOPER INDUSTRIES	1979	1978	IDEAL BASIC INDUSTRIES	1979	1978	RUBBERMAID	1979	1978
Fourth quarter	\$	\$	Fourth quarter	\$	\$	Fourth quarter	\$	\$	Fourth quarter	\$	\$
Revenue	1,210m	1,210m	Revenue	423.3m	423.3m	Revenue	100.0m	100.0m	Revenue	76.3m	76.3m
Net profits	118.3m	118.3m	Net profits	33.2m	33.2m	Net profits	17.7m	17.7m	Net profits	5.1m	5.1m
Net per share	1.36	1.36	Net per share	1.36	1.36	Net per share	1.30	1.30	Net per share	0.67	0.67
Year			Year			Year			Year		
Revenue	5,816m	5,740m	Revenue	1,790m	1,790m	Revenue	426.3m	410m	Revenue	305m	305m
Net profits	507.1m	507.1m	Net profits	111.7m	111.7m	Net profits	60.9m	54.3m	Net profits	22.7m	18.9m
Net per share	12.15	12.15	Net per share	7.25	7.25	Net per share	4.57	4.11	Net per share	2.96	2.45
CLEVELAND-CLIFFS IRON	1979	1978	FEDERAL SIGNAL	1979	1978	NIAGARA MOHAWK POWER	1979	1978	TYLER CORPORATION	1979	1978
Fourth quarter	\$	\$	Fourth quarter	\$	\$	Fourth quarter	\$	\$	Fourth quarter	\$	\$
Revenue	82.3m	82.3m	Revenue	31.1m	31.1m	Revenue	416.1m	321.6m	Revenue	139.1m	99.3m
Net profits	11.9m	11.9m	Net profits	2.02m	1.86m	Net profits	28m	27m	Net profits	5.24m	5.31m
Net per share	1.13	0.96	Net per share	0.62	0.51	Net per share	0.31	0.32	Net per share	0.53	0.50
Year			Year			Year			Year		
Revenue	337m	278m	Revenue	120.6m	91m	Revenue	1,520m	1,280m	Revenue	519.2m	390.9m
Net profits	48.8m	44.7m	Net profits	8.24m	6.19m	Net profits	158.03m	141.16m	Net profits	23.46m	23.05m
Net per share	3.97	3.41	Net per share	2.62	1.92	Net per share	2.00	1.89	Net per share	1.34	1.14

EUROBONDS

SDR issue from Svenska Handelsbanken

By Our Euromarkets Staff

SVENSKA Handelsbanken of Sweden is issuing the first non-subsordinated international bond denominated in Swedish krona. The bond, to be denominated in Special Drawing Rights, will be issued by bank deposits but not involve the bank in currency risk in that proceeds will be directly onlent to bank customers. The bond is to raise SDR 15m (equivalent, last night, to \$5.7m) for five years at a coupon of 10 1/2 per cent. The bank said yesterday that restrictions on the access of Swedish banks to the Swedish capital market explained their willingness to incur the

currency risk involved in borrowing SDRs. The Swedish krona is itself linked to a basket of currencies, though this is not the same as the SDR basket. The last SDR bond seen in the international bond market was issued by Swedish Investment Bank in November 1978. Despite the theoretical attractions of a currency basket, the SDR bond has never really caught on with the broad spectrum of Western investors and it is interesting that it is the Kuwaiti International Investment Company which is lead managing the Svenska Handelsbanken issue. Prices of dollar-denominated

bonds continued to fall yesterday, showing losses of 1-1/2 points on the day with some bond dealers saying there was clear evidence of institutional investors selling paper. The weak start-of-the day in the New York market only weakened morale later in the day. In the sterling sector prices were down by about 1/2 of a point. The recent \$50m issue for Citicorp closed at 95-5/8, at which it yields 14.48 per cent. The limbo in the Deutsche Mark sector has been improved by a good reception given to the DM 200m issue for Australia, currently on offer through Deutsche Bank. The 8 1/2 per cent coupon on this 10-year issue,

which some claim is already oversubscribed, is attracting strong investor interest. Elsewhere, prices were essentially unchanged in the DM secondary bond market. In the Swiss Franc sector, secondary market bond prices shed 1/2 of a point. The next issue expected here is a 10-year SwFr 100m bond for the Japanese Development Bank which is expected to carry a coupon of 8 1/2 per cent. The latest Luxembourg franc offering is a LuxFr 500m seven-year issue for Arbed, which carries an indicated coupon of 9 1/2 per cent. Lead manager is Banque Internationale a Luxembourg.

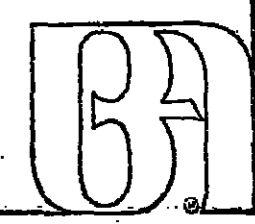


Republic of Trinidad and Tobago \$86,283,622 Multi-Source Financing

For The Purchase Of TWO LOCKHEED L-1011-500 AIRCRAFT POWERED BY ROLLS ROYCE ENGINES For Use By Trinidad and Tobago (BWIA International) Airways Corporation

\$10,500,000 TERM LOAN Arranged by BankAmerica International Group Provided by Bank of America N.T. & S.A. The Bank of Nova Scotia International Limited Canadian Imperial Bank of Commerce The Chase Manhattan Bank N.A. Lloyds Bank International Limited Orion Bank Limited The Royal Bank of Canada (London) Limited Agent BANK OF AMERICA

\$18,833,622 EXPORT CREDIT With funding and payment guaranteed by Export Credits Guarantee Department Arranged by BankAmerica International Group Provided by Bank of America International Limited The Bank of Nova Scotia Canadian Imperial Bank of Commerce Chase Manhattan Limited Lloyds Bank International Limited Orion Bank Limited The Royal Bank of Canada In Association with LAZARD BROTHERS & CO., LIMITED Agent BANK OF AMERICA International Limited



# Look behind our numbers and you'll see our expertise.

## REPUBLIC NATIONAL BANK OF NEW YORK

CONSOLIDATED STATEMENT OF CONDITION  
December 31, 1979

### ASSETS

Cash and demand accounts	\$ 145,697,344
Interest bearing deposits with banks	907,737,443
Precious metals	200,038,569
Investment securities	439,171,315
Federal funds sold and securities purchased under agreements to resell	11,370,000
Loans, net of unearned income	2,145,493,412
Allowance for possible loan losses	(38,999,460)
Loans (net)	2,106,493,952
Customers' liability under acceptances	269,228,922
Bank prepaids and equipment	23,555,178
Accrued interest receivable	75,431,170
Other assets	231,082,625
	\$4,415,312,050

### LIABILITIES

Deposits	\$3,300,257,895
Short term borrowings	99,845,228
Acceptances outstanding	273,896,895
Accrued interest payable	130,693,050
Due to factored clients	217,435,407
Other liabilities	88,329,008

### STOCKHOLDER'S EQUITY

Common stock	100,000,000
Surplus	100,000,000
Undivided profits	104,844,586
	\$34,415,312,050

Letters of credit outstanding: \$ 221,744,628

The total investments in precious metals and the precious metal content of silver coins were substantially hedged by forward sales. The unhedged portion of these investments was \$24.5 million at December 31, 1979.

**Our \$304,000,000 capital base is 14.2% of loans—one of the best ratios among the top 100 banks.**

What does such an unusually high capital-to-loan ratio mean to an exporter? It means that our experienced, hard working people such as Richard Lazarus, Douglas Waterman, and Catherine Cronin, of our Multinational Group are ready to finance your exports.

They know their way around export financing as few bankers do. They can make or obtain decisions fast—usually within 48 hours. They quote fixed or floating rates, and work with or without government export

assistance programs. To help you save time, each quarter they publish a list of countries in which they will finance exports. All of this, plus their relationships with Trade Development Bank in Geneva, Paris, London, Luxembourg, and Banco Safra in Brazil, result in an extraordinary export financing capability.

Put some of Republic's expertise to work for you. Call them in New York at (212) 930-6000 or Republic International Bank of New York in Miami at (305) 379-4000 and ask them for their quarterly country list.

## Republic New York

A Safra Bank  
**America's 47th largest bank, and growing.**

Republic National Bank of New York/Republic New York Corporation, Fifth Avenue at 40th Street, New York, N.Y. 10018  
London • Nassau • Cayman Islands • Miami • Santiago • Hong Kong • 19 offices in Manhattan, Brooklyn, Queens & Suffolk County.  
Affiliates and Representatives in: Beirut, Bogota, Buenos Aires, Caracas, Chisago, Frankfurt/Main, Geneva, Luxembourg, Mexico City, Montevideo, Panama City, Paris, Rio de Janeiro, Sao Paulo, Tokyo  
Member Federal Reserve System/Member Federal Deposit Insurance Corporation  
A subsidiary of Trade Development Bank Holding S.A. Luxembourg

All of these securities have been sold. This announcement appears as a matter of record only.

### New Issue

January, 1980

1,000,000 Shares

## Loral Corporation

Common Stock

L. F. ROTHSCHILD, UNTERBERG, TOWBIN

BLYTH EASTMAN PAINE WEBBER <small>Incorporated</small>		THE FIRST BOSTON CORPORATION	
BACHE HALSEY STUART SHIELDS <small>Incorporated</small>	BEAR, STEARNS & CO.	DILLON, READ & CO. INC.	
DONALDSON, LUFKIN & JENRETTE <small>Securities Corporation</small>	DREXEL BURNHAM LAMBERT <small>Incorporated</small>	GOLDMAN, SACHS & CO.	
E. F. HUTTON & COMPANY INC.	KIDDER, PEABODY & CO. <small>Incorporated</small>	LAZARD FRERES & CO.	
LEHMAN BROTHERS KUHN LOEB <small>Incorporated</small>	MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP <small>Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated</small>		
SALOMON BROTHERS	SHEARSON LOEB RHOADES INC.	SMITH BARNEY, HARRIS UPHAM & CO. <small>Incorporated</small>	
WARBURG PARIBAS BECKER <small>A. G. Becker</small>	WERTHEIM & CO., INC.	DEAN, WITTER REYNOLDS INC.	
CROWELL, WEEDON & CO.	FURMAN SELZ MAGER DIETZ & BIRNEY <small>Incorporated</small>	HAMBRECHT & QUIST	
NEW COURT SECURITIES CORPORATION	ATLANTIC CAPITAL <small>Corporation</small>	BASLE SECURITIES CORPORATION	
DAIWA SECURITIES AMERICA INC.		ROBERT FLEMING <small>Incorporated</small>	
NEW JAPAN SECURITIES INTERNATIONAL INC.		THE NIKKO SECURITIES CO. <small>International, Inc.</small>	
SANYO SECURITIES AMERICA INC.		ULTRAFIN INTERNATIONAL CORPORATION	

BANK JULIUS BÄR INTERNATIONAL Limited	BANQUE NATIONALE DE PARIS	BUCKMASTER & MOORE
CHRISTIANIA BANK OG KREDITKASSE		CREDIT COMMERCIAL DE FRANCE
DEN NORSKE CREDITBANK	PICOTET INTERNATIONAL Limited	PIERSON, HELDRING & PIERSON N.V.
PRIVATBANKEN AKTIESELSKAB	SOCIETE GENERALE DE BANQUE S.A.	VEREINS- UND WESTBANK Aktiengesellschaft

### Companies and Markets

## INTNL. COMPANIES and FINANCE

### ITALIAN CHEMICALS

## Capital injection for Snia

By PAUL BETTS in Rome

A MAJOR financial and structural recovery plan has been drawn up for Snia Viscosa, one of Italy's leading synthetic fibres groups in which the Milan-based Montedison chemicals conglomerate holds a majority stake.

The move, which includes a substantial L.570m (\$120m) capital increase to be subscribed in part by a consortium of Italian banks, follows a similar L.200m financial recovery programme for Montedison, Montedison's other main synthetic fibres and textiles subsidiary.

It comes at a time when the general recovery of Italy's troubled synthetic fibres sector is beginning to take concrete shape following rationalisation of fibres operations between the country's main state and private fibres groups.

The Snia Viscosa proposals

aim at bringing the company, with an annual turnover of more than L1,000m, back to profits by the end of next year. The plan envisages the participation of a banking consortium led by Mediobanca, the Milan-based medium-term special credit institute, in a L.570m capital increase. The banks are expected to subscribe directly up to L.450m of new capital at the same time as underwriting the entire operation.

Moreover, the banks are to convert some L100m of Snia Viscosa short-term debt into the medium term and renew nearly L.500m of medium-term debt maturing during the next two years. Snia Viscosa also intends to float a L.500m loan next year guaranteed by the company's hydrocarbon and hydro-electric assets.

To raise urgently needed cash, Snia Viscosa is to sell a number of its fixed assets which

are not specifically tied to its main industrial activities in fibres, chemicals and defence equipment. At the same time it hopes to raise more fully natural gas fields it owns in Italy by increasing production to 240m cubic metres of gas by 1981. The overall capacity of its gas fields is put at around 2.80m cubic metres.

Snia Viscosa further plans to complete its current L.280m investment programme. Of that, L.850m has already been invested, while L.150m is expected to be spent by next year, with an additional L.190m to be invested after 1981.

The programme, which is designed to improve the industrial structure of the group, particularly in the fibres sector, will be partly funded by new long-term debts for L.433m.

The company also plans to lay off 4,130 workers as part of its overall recovery strategy.

## KHD plans major U.S. sales push

By Hazel Duffy, Industrial Correspondent

AS MUCH AS 40 per cent of the sales of Deutz engines will be in the U.S. by 1985, as against the current 18 per cent, predicts Mr. Peter W. Schutz, executive vice-president of Kloeckner-Humboldt-Deutz (KHD), the Cologne-based engineering group.

Most of the engines will be supplied from the plant in Richmond, Virginia, which KHD bought from American Motors Corporation in December. Production is scheduled to start this summer. In addition to the assembly facilities, Deutz plans to locate a worldwide purchasing centre at Richmond. The intention is that a high percentage of the components will be purchased in the U.S., eliminating some of the cost problems that have been encountered by Deutz manufacturing in West Germany and exporting to the U.S.

Deutz currently sells 22,000 engines a year in the U.S., representing about 18 per cent of worldwide sales after deducting sales to the Iveco truck group and KHD's agricultural machinery interests. The main thrusts in the U.S. sales drive will be on engines for industrial applications and specialised delivery trucks. The engines to be assembled at Richmond will be those in the 912 and 913 series, in the 40-160 hp range.

Mr. Schutz said in Cologne recently that the sale by KHD of its 30 per cent stake in Iveco (the holding company for Magirus Deutz and Fiat trucks) enables Deutz to be an independent supplier of diesel engines. The amount of cash raised by the sale has not been disclosed, but Mr. Schutz says that it will enable KHD to expand its engine activities, possibly through the acquisition of another diesel engine manufacturer.

Deutz is a major producer of air-cooled diesel engines. The engines have certain advantages over the more widely-used water-cooled engines, being lighter in weight, and claims Deutz, more durable and reliable. They also tend to be more expensive. But Deutz believes there is a fast-growing market for such engines in the U.S. where fuel price increases are prompting a growing swing to diesel motors.

In Europe, Deutz has identified the UK as the biggest market for diesel engines. The company's market share in the UK is only 4 per cent at present, but it believes that it can increase this substantially as a result of a greater marketing presence. If sales increase in line with target, Deutz will consider assembling engines in the UK.

Other recent developments undertaken by Deutz include: (a) a development study with Ford in Britain on the feasibility of the dieselisation of a car engine. A decision on the future of the study will be taken in two months.

(b) a development programme with the Canadian Government-sponsored Enterprise Development Board for the production of an eight cylinder 160 h.p. lightweight truck engine. The joint programme has cost C\$40m over the past six years, and 30 prototypes have been built. A decision on whether to go into production in Canada will be made this year.

Andelsbanken, the fourth largest Danish commercial bank, reports net profits down from Dkr 115m to Dkr 108m (\$18.8m) for 1979 and pre-tax profits from Dkr 179m to Dkr 165m.

Operating profits fell from Dkr 115m to Dkr 80m, but the adjustment for security values rose from Dkr 56m to Dkr 105m. An unchanged 12 per cent dividend is planned. Despite the poor economic outlook for 1980, the bank expects more or less unchanged results this year.

## Bank of Spain acts under new powers

By OUR MADRID CORRESPONDENT

BANK OF SPAIN has used special powers to intervene in the running of a small commercial bank, Banco de Asturias. It has temporarily suspended the Board.

This is the first time that the Bank of Spain has used in this way powers conferred two years ago under legislation designed to give it greater control over the banking system. Bank of Spain said that the decision did not reflect on the financial structure of the bank whose capital and reserves total Pta 1.1bn (\$16m).

Officials said that the decision was related to the role of four Board members who represented the financial group, Cafasa. The four are the ones affected by the suspension; the position of the bank's president, Sr. Prudencio Fernandez y Fernandez Pello, is unaffected.

Cafasa bought 75 per cent of the bank in 1977 from the Banca Catalana group, for around Pta 40m (\$60m). Subsequently, Bank of Spain inspectors are understood to have warned the new Board of the bank against using bank funds to cover the purchase price. Failure to observe these warnings apparently led to the present action.

Under the powers given to it in 1978, the Bank of Spain can wind up a bank's activities or intervene directly to replace Board members or to suspend a Board. When the Banco de Navarra collapsed in early 1978, the bank used these powers to change the Board and force a winding-up of the bank.

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## Zanussi in Spanish appliance takeover

By Robert Graham in Madrid

ZANUSSI of Italy has taken control of the Spanish domestic appliance company, Ibelsa, by raising its stake from 50 per cent to 75 per cent. Ibelsa has a turnover of Pta 7,700 (\$115m).

The move underlines the growing tendency for Spanish companies to cede control to multinationals in order to ensure long-term viability. Control of Ibelsa has changed hands through a capital increase with Zanussi's existing Spanish partner, the Fierro group, waiving its rights to subscribe. Ibelsa's capital has been increased from Pta 975m to Pta 1.5bn (\$28m).

The Fierro family, which over the past two years has been divesting some of its industrial portfolio, including its share in Renault, has agreed for the moment to retain 25 per cent in Ibelsa. The move has been prompted by three main reasons connected with the company's long-term viability: the domestic market in Spain is suffering from overcapacity; export outlets are difficult to exploit because of high production costs in Spain, protection in foreign markets and latterly the high value of the peseta; and, thirdly, Spanish capital is unwilling to risk further commitment.

Ibelsa production is centred on two plants near Madrid and at Logroño in the North. It has a total workforce of 2,600. The Madrid plant is essentially geared to produce washing machines, while Logroño's main line is refrigerators.

Petrofina upsurge  
Net income at Petrofina rose from BFR 6.04bn to BFR 8.3bn (\$294m) in 1979 after BFR 12.3bn of special dividend, of which BFR 6.9bn arose through a switch to LIFO accounting. The slowdown in the rate of profits growth during the second half of the year was suggested in Friday's editions was thus misleading.

## FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on February 4

U.S. DOLLAR STRAIGHTS Issued Bid Offer day week Yield

Alcoa Australia 10.89	80	85.5	85.5	-0.1	12.73
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00

OTHER STRAIGHTS Issued Bid Offer day week Yield

Alcoa US 10.89	80	85.5	85.5	-0.1	12.73
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00
Alcoa US 10.89	80	76	76	-1	14.00

DEUTSCHE MARK STRAIGHTS Issued Bid Offer day week Yield

African Dev. Bk. 8.87	100	97.5	97.5	+0.4	8.33
African Dev. Bk. 8.87	100	97.5	97.5	+0.4	8.33
African Dev. Bk. 8.87	100	97.5	97.5	+0.4	8.33
African Dev. Bk. 8.87	100	97.5	97.5	+0.4	8.33
African Dev. Bk. 8.87	100	97.5	97.5	+0.4	8.33
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African Dev. Bk. 8.87	100	97.5	97.5	+0.4	8.33
African Dev. Bk. 8.87	100	97.5	97.5	+0.4	8.33
African Dev. Bk. 8.87	100	97.5	97.5	+0.4	8.33

SWISS FRANC STRAIGHTS Issued Bid Offer day week Yield

Argentine 5.88	80	91.5	91.5	+0.4	8.33
Argentine 5.88	80	91.5	91.5	+0.4	8.33
Argentine 5.88	80	91.5	91.5	+0.4	8.33
Argentine 5.88	80	91.5	91.5	+0.4	8.33
Argentine 5.88	80	91.5	91.5	+0.4	8.33
Argentine 5.88	80	91.5	91.5	+0.4	8.33
Argentine 5.88	80	91.5	91.5	+0.4	8.33
Argentine 5.88	80	91.5	91.5	+0.4	8.33
Argentine 5.88	80	91.5	91.5	+0.4	8.33
Argentine 5.88	80	91.5	91.5	+0.4	8.33

YEN STRAIGHTS Issued Bid Offer day week Yield

Australia 5.88	30	85.5	85.5	-0.1	8.33
Australia 5.88	30	85.5	85.5	-0.1	8.33
Australia 5.88	30	85.5	85.5	-0.1	8.33
Australia 5.88	30	85.5	85.5	-0.1	8.33
Australia 5.88	30	85.5	85.5	-0.1	8.33
Australia 5.88	30	85.5	85.5	-0.1	8.33
Australia 5.88	30	85.5	85.5	-0.1	8.33
Australia 5.88	30	85.5	85.5	-0.1	8.33
Australia 5.88	30	85.5	85.5	-0.1	8.33
Australia 5.88	30	85.5	85.5	-0.1	8.33

ALBOLITA





Financial Times Tuesday February 5 1980  
STOCK EXCHANGE BUSINESS LAST MONTH

## Turnover nears 1977 record despite industrial unrest

BY NUGEL SPALL

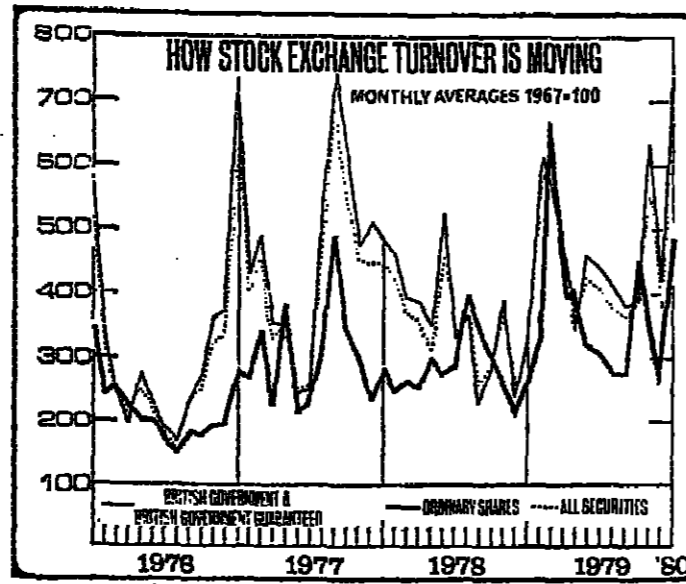
STOCK EXCHANGE turnover in January came close to the all-time record reached in September, 1977.

Despite the prevailing labour unrest and growing international tension, overall turnover jumped by 19.2bn, or nearly 75 per cent, on the month to £21.6bn—its highest since the record £22.4bn 28 months earlier. The FT turnover index for All Securities in January came to 860.3 compared with December's 378.5 and the 1978 monthly average of 431.5.

January turnover in Gilt-edged rose by £7.4bn to £17.5bn. Trade in short-dated stocks contributed £8.9bn, over 136 per cent up on December's £3.5bn. Trade in other Government securities rose by nearly 37 per cent to £8.5bn.

The average value per bargain in the shorts increased to £229,040 last month compared with December's £189,740, and the total number of bargains in Gilt-edged rose by 35,190 to 106,672. The FT Turnover index for Government Securities mirrored the increased business by jumping to 739.5 compared with the 1979 average of 454.8. The Financial Times Government Securities index improved from an end-December level of 65.10 to end the month at 67.27—a rise of over 3 per cent.

Equities displayed marked resilience to the prospect of a lengthy steel strike, while international events stimulated



spectacular gyrations in the price of gold bullion.

A record level of \$935 an ounce for bullion was reached on January 18, but the biggest one-day fall, \$135, was recorded on January 22. The London gold price ended the month a net \$123.5 higher at \$850 and the Financial Times Gold Mines index jumped 61.1 over the same period to 329.9.

Business in equities last month rose by £1.25bn to £2.74bn. The number of bargains in equities rose by 170,564 to 393,618 with the average

value per bargain of £6.956 slightly higher than December's.

The FT Turnover index for Ordinary shares on the month rose to 488.7 compared with December's 265.8 and the 1979 monthly average of 358.5.

Equity share prices made good progress with sentiment helped by the strength in British Funds and, from an end-December level of 414.2, the Financial Times Industrial Ordinary share index closed the month a net 39.1 points higher at 453.3.

## CONTRACTS £3.5m plant design work

PETROCARBON DEVELOPMENTS has been awarded contracts to provide design services for the ICI pharmaceuticals division at the Avon Works, Severnside. The projects, valued at £3.5m, involve the engineering design of batch process plant based on existing ICI process technology. The new facilities will be part of an existing much larger complex making medicines. Petrocarbon Developments, based in Manchester, is part of the Burnham Engineering company.

Spring Grove Securities, industrial work wear and cabinet towel rental, Henley-on-Thames, has ordered 16 SPERRY UNIVAC V77 600 mini-computer systems worth £413,000. The systems will replace an ICL 1903 used on a service bureau basis.

POLYMARK INTERNATIONAL has won a contract, worth over £300,000, for machinery to re-equip the laundry of the Savoy Hotel.

SIGMUND PULSOMETER PUMPS, a member of the SPP Group (a Booker McConnell company) is to supply another pump for fire protection duties at the Sullom Voe oil terminal in the Shetland Isles. The order, valued at more than £130,000, has been placed by Foster Wheeler on behalf of BP Petroleum Development.

Three orders for vibratory compaction equipment have been won by STOTHERT AND PITT from British plant hire companies. The orders from Eddison Plant, Isis Plant and Vibroplant are collectively worth over £1m. Three hundred machines have been specified and the orders include single roll and tandem models, pedestrian and ride-on duplex, as well as the latest towed trailer type.

PETROCARBON DEVELOPMENTS has won a contract worth over £750,000 to supply a cryogenic nitrogen plant to the Alexandria Petroleum Company at Alexandria, Egypt. The PX12 plant will produce high purity nitrogen at an output of 320 cubic metres per hour, some of which will be available in liquid form for storage. The nitrogen will be used to create inert atmospheres and for purging.

GEI TELECOMMUNICATIONS has received a contract worth more than £1m for the fourth stage of the communications network it is supplying in the Department of Transport to improve traffic control facilities on the motorways. The system will provide high-quality bi-directional transmission circuits for the co-ordinated control of motorway signals, telephones and other devices by remote computer. The 437 km (271 miles) fourth stage of the 2x12-circuit carrier network will be installed on the M5 between Birmingham and Bristol and on the M4 between London and Bristol.

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All of these Bonds having been sold, this announcement appears as a matter of record only.

New Issue / January, 1980

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Ultrafin International Corporation

# Isn't it time your company got its expenses together?

28 / 9 / 1979

REFERENCE NUMBER	LISTING OF CHARGES AND CREDITS	PREVIOUS BALANCE
0674227	PAYMENT RECEIVED - THANKYOU	372.24
0616074	BRITISH AIRWAYS	372.24
0770064	NOVA PARK HOTEL ZURICH	94.50
0800334	250.58 SWISS FRANCS BILLED AS HERTZ RENT A CAR AG	73.43
0790064	118.80 SWISS FRANCS BILLED AS STROGANOFF REST. ZURICH	34.75
0784035	182.87 SWISS FRANCS BILLED AS HUNSTRETE HOUSE HOTEL	53.59
		27.10
PREVIOUS BALANCE	372.24	
NEW CHARGES	283.37	
NEW CREDITS	372.24	
NEW BALANCE	283.37	

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After a successful meeting, he entertained his client for dinner at a restaurant in the city, where the Card was again welcomed.

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**BY JACK TOTEN**

restrictions on their ability to expand because of low profit in relation to capital would cause more attention to be paid to margins. And the resulting somewhat reduced competition might enable such increased margins to be achieved.

This raises the question of whether, apart altogether from the desire to control expansion in Euro-Currency markets, there is a need for the banking industry to be brought under an international protocol on capital/asset ratios to control unfair competition, just as GATT and other international agreements govern the movement of goods between nations.

Whatever objections one may raise to such a system from the point of view of additional unwarranted regulation, it would, in fact, place some control on the expansion of commercial banks if the ratio were high enough. It would also emphasise the importance of profitable operations. Managements might find that the

26-643	825	1332	3798	4913	6722	7265	8552	9008	9394	10294	10589	10636	10793	11662	11664	12226	15462
691	836	3460	4893	5340	7212	8201	8945	9231	9678	10501	10625	10827	11132	11663	11774	12327	

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## Companies and Markets

## LONDON STOCK EXCHANGE

## Renewed widespread weakness in Gilt-edged contrast with sound equity tone—Decca up on GEC cash offer

## Account Dealing Dates

\*First Declared Last Account Dealings Close Dealings Day  
Jan. 28 Feb. 7 Feb. 8 Feb. 18  
Feb. 11 Feb. 21 Feb. 22 Mar. 2  
Mar. 3 Mar. 14 Jun. 12 Jun. 22

\* New time "dealings may take place from 9.30 a.m. two business days earlier."

The persistent squeeze on near-term credit and continuing indication because of recent heavy purchases of Government stock became more apparent in Gilt-edged yesterday. More widespread weakness developed in Gilts and some concern was being voiced about the January banking statistics due to be announced today.

Quotations were defensively lowered at the opening and following renewed forced selling of short-dated issues by Discount Houses and other sources, the market became extremely sensitive again. Sentiment was also adversely affected by forecasts of gloomy economic forecasts, continuing doubts about the Government's monetary policy and worries about the steel dispute.

The shorts bore the brunt of the liquidation and bid before a recovery set in on near-covering after the latest UK official reserve figures. Losses were finally reduced to around 1 and the steadier trend continued in trade after the official close. Longer-dated stocks failed to benefit to the same extent and settled a point lower after 11.

The equity sections were naturally affected but, in a reduced business, leading shares held up relatively well despite the bleak industrial background. Closing losses rarely exceeded a penny. An impressive performance in view of the funds being reserved for tomorrow's 1700-crill on British Petroleum new shares.

## Discounts dull

GEC's cash terms for Decca relieved an otherwise drab day for market highlights and the latter returned from suspension in trade sharply higher at 495p for the ordinary and 850p for the "A" both within a touch of their respective bid prices. Measuring the trend, the FT 30-share index was 3.8 lower at the 2.00 pm calculation but finally only 2.1 down on balance at 445.7.

Demand for Traded options dried up and only 404 contracts were completed against Friday's 1081 and last week's daily average of 865. Cons. Gold Fields, 106p, and Rael, 50, attracted a reasonable business. A fresh setback in Gilts signalled a retreat in Discount

Houses where closing falls ranged to 10. Allen Harvey and Ross gave up that much to 35p and 40p respectively. Decca, 41p, while Clive declined 6 to 72p and Union 5 to 30p. The major clearing banks drifted lower with the general trend but closed up to 4 above the day's lowest. NatWest cheapened 6 to 35p as did Midland, to 37p, while Barclays fell 8 to 42p. Merchant banks were featured by Hambros which at 323p, gave up 15 of its recent Press-inspired rise. Still awaiting news of the Hongkong and Shanghai bid approach, Antony Gibbs dipped 4 to 74p. H. and S. ended 4 higher at 107p. Still reflecting the chairman's cautious statement, FNEC eased 2 more to 144p and elsewhere in Hire Purchases, Lloyds and Scottish receded 4 to 33p.

Continuing concern that Marsh and McLennan's bid might be referred to the Monopolies Commission left Bowring down 4 more at 138p, after 137p. Leading Breweries turned a shade easier in a quiet business. Wharfedale gave up a couple of pence to 125p, while Bass lost the turn to 197p. Among regional issues, Vaux fell 3 to 135p awaiting today's annual meeting, while Press comment failed to inspire Davenports, a similar amount lower at 151p. Haverhill added 10 to 89p in a thin market.

Selected Building descriptions moved against the generally dull trend. In Timbers, speculative buying was directed towards May and Hassell which, in a thin market, put on 8 to 80p. Phoenix Timber touched 149p before settling a penny firmer on balance at 145p, while Montague L. Meyer hardened 2 to 92p and Mager and Southern improved 3 to 158p. Matthews-Denny added a penny to 83p. Elsewhere, buying interest of today's interim statement lifted Crouch Group 2 to 80p, while stock shortage contributed to a gain of 12 to 75p in Rohan. By way of contrast, small selling slipped 1 from 112.5p to 85p, while Ithaca Johnson came up 2 to 71p on profit-taking.

A penny easier for most of the session as buyers held off, ICI attracted support towards the close and finished unchanged on balance at 375p. In Trades, in Fisons followed a similar pattern and, after slipping to 274p, picked up to close a net 5 higher at 282p.

## Stores down

The Store majors made a dull showing with sentiment not helped by the disappointing deterioration in the steel strike. John Brown eased 2 1/2 to 55p and GKN 3 to 35p. Elsewhere, acquisition news prompted firms in United Engineering, 7 up at 115p, while favourable Press mention stimulated interest in Almagram Power, 2 dealer at 76p, and Compair, 3 higher at 76p. Fresh support ahead of preliminary results, due shortly, left Howard Machinery 2 to the 23p. Chairman revived with a gain of 5 to 130p, while Martonair improved 6 to 195p. Secondary Foods displayed two sharply contrasting features in Hillards which shot to 151p on the disappointing interim statement and Bernard Matthews

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## British Cargo slump

Reports that a bearish circular has been sent to the group's employees ahead of the forthcoming interim results brought selling pressure to bear on British Cargo which closed 21 down at 25p. Elsewhere in a quiet miscellaneous industrial sector, adverse comment affected pottery concerns and Wedgwood closed 3 down at 65p, after 64p. Boat and Starline a penny off at 84p. Down 4 1/2 last Friday following adverse comment, Dunbee

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## Lismo advance

Although overall business in Oil was at a fairly low ebb, a reasonable trade developed in shares of the North Sea stocks. Lismo were relatively lively and pushed ahead to close 25 higher at 438p, while Siebens (UK) advanced 22 to 675p. Gas and Oil Acreage, 365p, and Cambridge Petroleum, 246p, rose 25 and 16 respectively, but CIP North Sea fell 10 to 125p. Assisted by Press mention, Carless Camp improved 2 to 31p. Among the leaders, British Petroleum closed 2 firmer at 150p ahead of tomorrow's call of 213p new share. Shell fluctuated narrowly before closing a few pence better at 345p.

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## Quiet mines

Activity in South African Gold shares fell to the lowest level for some weeks as the bullion price lost ground in quiet trading to close \$10.50 down at \$867 an ounce. Shares opened fractionally firmer but failed to attract any significant interest either way until modest selling from U.S. sources in the after-hours trade prompted a minor setback. The Gold Mines index eased only 0.1 to 333.3.

Expectations to the general rule included East Dagsfontein, up 19 to a 1979-80 high of 81p reflecting a follow-through of heavy overseas buying which developed after-hours on Friday and South African Land which gained 21 to 391p.

In a quiet South African Financials section, falls of 4 were common to GFSA, 53p, and Johnnies, 22p, but UC Investments closed unaltered at 415p.

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## In front of the increased interim profits and dividend.

London Financials turned easier on lack of interest coupled with dull precious and base metal prices. Rio Tinto-Zinc encountered persistent profit-taking and dipped 10 to 385p, while Selection Trust gave up 5 to 625p and Charter 4 to 152p. In Platinums, Lydenberg returned from suspension following the terms of the bid from South Africa's "Old Mutual" and closed at 170p compared with the pre-suspension price of 180p. Australians staged a modest late rally after a weak start. Heavy profit-taking left Oakbridge 23 down at 212p, while Bougainville gave up 8 to 187p. On the other hand, renewed speculative buying lifted Pacific Copper 14 to 158p, after a 1979-80 high of 160p, while favourably Press comment prompted a gain of 15 in Cons. Gold Australia, 365p.

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FINANCIAL TIMES STOCK INDICES											
	Feb. 4	Feb. 3	Jan. 31	Jan. 30	Jan. 29	Jan. 28	A year ago				
Government Secs.....	65.51	66.45	67.27	67.99	67.95	67.64	66.39				
Fixed Interest .....	67.46	68.17	68.70	69.04	68.99	68.01	66.81				
Industrial .....	445.7	447.8	453.3	457.6	464.0	453.6	440.7				
Gold Mines .....	333.3	333.4	339.9	350.5	354.8	341.3	328.4				
Ord. Div. Yield.....	7.33	7.30	7.20	7.15	7.08	7.26	6.91				
Earnings,Yld. 1/4 Full	18.07	18.00	17.76	17.64	17.45	17.89	18.24				
P/E Ratio (net) (*)...	6.80	6.82	6.81	6.96	7.04	6.87	7.00				
Total bargains.....	19,899	19,290	21,394	25,564	25,823	21,305	14,569				
Equity turnover %.....	—	125.87	122.62	129.17	115.99	139.84	87.06				
Equity bargains total ..	—	15,895	15,188	18,252	18,064	15,860	14,569				
10 am 445.0    11 am 444.5    Noon 445.5    1 pm 444.2    2 pm 444.0    3 pm 444.3											
Latest index 01-245 8026.											
*NII = G.S.R.											
1215 100 Govt. Secs. 15/10/26. Fixed Int. 1922. Industrial 01 1/7/26.											
Gold Mines 12/29/55. 5% Activity July-Dec. 1958.											
HIGHS AND LOWS				S.E. ACTIVITY							
1979/80		Stocks Compilat'n		Feb. 4		Feb. 3					
High	Low	High	Low								
				...Daily							
				Gilt Edged .....							
				Industrial .....							
				Speculative .....							
				Totals.....							
Govt. Secs. ....	75.91 (4/5)	63.30 (1/10)	187.4 (8/1/55)	49.18 (2/1/79)	123.8 (1/1/55)	103.6 (1/1/79)	113.9 (1/1/55)				
Fixed Int. ....	77.76 (5/5)	64.06 (1/11)	150.8 (2/1/79)	50.53 (1/1/55)	52.6 (1/1/55)	44.7 (1/1/79)	43.9 (1/1/55)				
Ind. Ord. ....	558.5 (4/5)	406.5 (1/11)	558.6 (4/6/79)	49.4 (2/6/79)	117.0 (1/1/55)	92.6 (1/1/79)	115.8 (1/1/55)				
Gold Mines ....	360.4 (16/1/59)	129.9 (1/14)	442.5 (22/6/75)	43.5 (22/6/71)	135.0 (1/1/55)	98.8 (1/1/79)	126.6 (1/1/55)				
				Totals.....							

FT UNIT TRUST INFORMATION SERVICE

Table with multiple columns listing various unit trusts, their managers, and performance data. Includes sub-sections like 'E. ACTIVITY' and 'Unit trusts'.

AUTHORISED UNIT TRUSTS

Table listing authorised unit trusts with columns for name, manager, and other details.

ManuLife Unit Fund Managers

Table listing ManuLife unit fund managers and their respective funds.

Stewart Unit Tst. Managers Ltd(a)

Table listing Stewart Unit Tst. Managers Ltd(a) funds and managers.

City of Westminster Assurance

Table listing City of Westminster Assurance funds and managers.

Lloyds Life Assurance

Table listing Lloyds Life Assurance funds and managers.

INSURANCE PROPERTY BONDS

Table listing insurance property bonds and related financial data.

OFFSHORE & OVERSEAS FUNDS

Table listing offshore and overseas funds with details on their investments and managers.

NOTES: This section contains important information regarding the data presented in the tables, including disclaimers and instructions for interpreting the figures.







Tuesday February 5 1990



## BANK GOVERNORS' VIEWS ON GROWING OPEC SURPLUS

## Oil funds imbalance worsens

By Peter Riddell, Economics Correspondent

THE PROBLEMS of recycling the financial surpluses of the oil exporting countries to the consuming deficit countries are likely to be more difficult and more persistent than in the mid-1970s, according to the Governors of the British and West German central banks.

Mr. Gordon Richardson, Governor of the Bank of England, and Herr Karl Otto Pöhl, the new president of the West German Bundesbank, gave this warning last night in speeches to the annual banquet in London of the Overseas Bankers Club.

Both Governors underlined the actual and potential problems of recycling although they took some encouragement from the agreement of central banks

in major countries about the need for tight monetary policies to curb inflation.

After noting the twin problems of growing indebtedness, particularly in the poorer countries, and huge investable surpluses, Herr Pöhl argued that international institutions, especially the International Monetary Fund and the World Bank, should play a much greater role in recycling.

He suggested that increased use of the Fund's ample resources by countries which could not borrow any more in private markets would have the positive aspect that the fund would be able to impose economic policy conditions on borrowers.

After also calling for a larger role for the Fund, Mr.

Richardson discussed the limits on the willingness and capacity of commercial banks to bear the brunt of the recycling burden.

He then outlined various ways in which this process could be carried out—nothing, in particular, the need for larger spreads and margins on international lending to reflect different risks.

Without referring specifically to the U.S. moves to freeze Iranian assets, Mr. Richardson said that "recent and essentially political events" had shaken the confidence upon which banking relationships rest. He also stressed the need for urgent adaptations and improvements in procedures for syndicated medium-term credits. Herr Pöhl referred to recent

discussions about whether the D-mark could not relieve the dollar of part of its burden as a reserve currency.

He said: "The D-mark is already the second most important investment and reserve currency after the dollar. We are not particularly pleased about this development. However, we must learn to live with it."

Neither the D-mark nor sterling—nor any other currency—could replace the dollar as the world's major reserve currency. Herr Pöhl said the proposals for the creation of a substitution account (in which dollars would be exchanged for assets denominated in Special Drawing Rights—the Fund's currency basket) were "a step in the right direction."

## Volcker sees risk if banks quit Fed

By Jurek Martin in Washington

MR. PAUL VOLCKER, chairman of the U.S. Federal Reserve Board, yesterday warned that the number of banks threatening to leave the Fed system was assuming "flood proportions," and that this trend, unless reversed, could damage the Central Bank's ability to conduct effective monetary policy.

In testimony before the Senate Banking Committee, Mr. Volcker noted that a recent informal Fed survey had found that as many as 670 U.S. commercial banks representing more than 10 per cent of the system's membership and commanding more than \$700bn in deposits—intended to withdraw from the federal reserve system, or were actively considering it.

Banking membership of the federal reserve system has traditionally been voluntary. Banks have been leaving the system because the reserves that they must place with the Fed do not bear interest.

Mr. Volcker argued, not for the first time, that the solution probably lay in making membership of the Fed compulsory, not voluntary.

"I understand and share the nostalgia for retaining elements of voluntarism in the operations of the federal reserve system," he said yesterday. "But we simply cannot rely on nostalgia in conducting monetary policy."

## Palliative

Mr. Volcker agreed that the most frequently advanced palliative—the payment of interest on reserves deposited with the Fed—would essentially have the effect of driving up the cost of running the system, and would not guarantee that banks would remain inside the system.

He suggested, instead, that the present system should be supplemented by creation of a standby authority enabling the Fed to pay interest on special supplemental deposits.

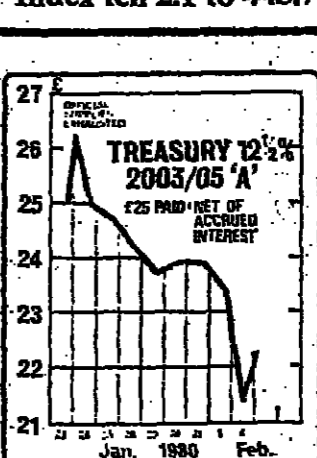
This form, which he presented to Congress last autumn, would, he said yesterday, "permit us to attempt to operate with a relatively small reserve base, while providing a 'safety net' should experience prove that base inadequate to obtain sufficiently precise control over the money supply."

It would entail no added cost to the Treasury, and virtually no cost to the banking system," he said. A proposal to this effect has been advanced in Congress, but Mr. Volcker took exception to the specifics of this legislation.

## THE LEX COLUMN

## A cash bid at the Decca auction

Index fell 2.1 to 445.7



The shortage in the money markets was not so severe yesterday, but banks and discount houses were still selling short-dated gilt-edged stock and gilts were showing further substantial falls before a rally developed in the afternoon. Having overcome its rise in January, the gilt-edged market has been making a thorough job of falling, and today's banking figures—for the month to mid-January—may provide an excuse for recovery unless they are very bad indeed.

Equities have been putting a much braver face on things, and tomorrow's £170m call on the partly-paid BP shares does not seem to be casting a shadow.

## GEC/Decca

The future of Decca is now finely in the balance. GEC has topped Rascal's all-equity offer for the company by 27 per cent with terms that are worth £82m cash. But this is still not a knock-out bid, and if it wants Decca as keenly as seems to be the case Rascal could afford one more try.

Its first attempt would have increased Rascal's outstanding share capital by around 12 per cent. To match GEC's terms, it would have to increase its equity by over 14 per cent, or more if it felt the need to underwrite its shares. Rascal could include some element of cash in a new takeover package, but it might start to look a little strained if it tried to finance much more than, say, a quarter of a higher bid in this way. It had £57m of cash and quoted investments in its last balance sheet, but Decca's debt currently amounts to something like £60m, and although that could probably be reduced quite substantially by financial surgery, such an operation would take time.

Buying Decca at the present price would involve a measure of assets and short term earnings dilution. The suggestion from the Decca camp is that its net worth is not far short of GEC's terms, if allowance is made for a UK property revaluation, a surplus on the music disposal, and a successful patent action against the U.S. Government. But a bidder would probably take a much harsher line with some of the low returning assets. Its earnings will probably be negligible for a year or so, but the impression is that Decca is capable of making £16m pre-tax or more within a couple of years.

GEC is offering a much higher premium for the voting shares than Rascal, which is only to be expected in a contested

operation is cosmetic. Debenhams' income gearing will look much lower. There will be a benefit to the balance sheet, as Debenhams is injecting only £20m of cash into Welbeck and shifting £40m of its borrowings. From now on the group's accounts will show only those borrowings associated with the framework of the business, rather than the relatively risk-free debt matching customer finance.

## Debenhams

Debenhams is tired of being accused of being too highly geared. Much of its borrowing exists purely to finance customer credit business, and the rise in interest charges associated with this financing has always attracted more attention than the growth in trading profit that it has brought about. Some of the debt incurred has been shifted off the balance sheet by selling debtors to Lloyds Bank, which recently held £35m of the £75m credit business outstanding. But the group's income gearing has remained conspicuous, especially in the relatively lean first half of the year—in the first six months of the year just ended, finance costs reached £6.3m against trading profits of £11.6m.

The recent growth of the credit business suggested that the facility with Lloyds would soon have to be extended to a consortium of banks. Instead, Debenhams has decided to set up its finance company as a separate organisation—Welbeck Finance—in which it will hold 10 per cent but retain the rights to all available dividends. By this means the finance business can be completely deconsolidated, although it will stay part of Debenhams for tax purposes, which will be useful if debtors ever become a source of tax relief.

To a certain extent the

operation is cosmetic. Debenhams' income gearing will look much lower. There will be a benefit to the balance sheet, as Debenhams is injecting only £20m of cash into Welbeck and shifting £40m of its borrowings. From now on the group's accounts will show only those borrowings associated with the framework of the business, rather than the relatively risk-free debt matching customer finance.

Welbeck's own progress will be interesting to watch, as the new company, which is being established at arm's length from Debenhams, is hoping to take on credit business for other retailers. Its initial profit projections go from £3m in the year ended to £5.8m in the year to January 1991, both figures before tax and before around £2.4m of occupancy charges and loan interest.

## Lourho

After a couple of years in which published profits have changed little in spite of a big increase in outstanding share capital, Lourho has announced a £9.6m drop in pre-tax profits to £84m for the 12 months to September. Most of the decline can be attributed to a 50m reduction in the depreciation clawback, an accounting practice that the company has taken the opportunity to renounce for the current year. But with market sights set firmly on an expected bumper return from the company's mining interests in 1990, the shares were barely affected, dropping only 2p to 101p.

Profits in agriculture have been nearly halved to £11m reflecting the main impact of the lower depreciation credit. Difficulties in Nigeria have been responsible for most of the 57 per cent decline in profits to £8m from export confirming, finance, property and insurance, and there has also been a 55m drop in engineering and manufacturing. Against this, mining profits are £21.3m higher to £30.8m.

The sharp rises in gold, platinum and other metal prices since September will bring a further substantial contribution from mining in the current year, and could lift underlying pre-tax profits from £70m in 1979 to about £120m. Ironically, the low quality African earnings which Lourho has been trying to exchange for profits in developed countries, will have pulled the group out of its stagnation. The historic yield is a shade below 11 per cent and the fully-taxed prospective p/e about 61.

## Accord at Paris summit

By Robert Maithner in Paris

FRANCE and West Germany are today expected to adopt a joint declaration on the crisis provoked by the Soviet invasion of Afghanistan.

Agreement on the substance of the declaration—likely to contain both an analysis of the current world situation and suggestions for a Western response to it—was reached by President Giscard d'Estaing of France and Herr Helmut Schmidt, the West German Chancellor, on the second day of their three-day summit meeting.

The declaration is expected to emphasise that Western allies should adopt a co-ordinated approach to the problems raised by the Soviet actions.

West German officials said that French and West German solidarity with the U.S. could not be doubted. But that did not mean every country had to react in the same way—a view also expressed by Lord Carrington, the British Foreign Secretary, after his weekend talks with M. Jean Francois Foccart, the French Foreign Minister.

The Franco-German concept is that each Western country should assume the task for which it is best fitted. Some European countries have closer relations with specific third world countries than others and were therefore more likely to achieve results in dealing with them.

West Germany, for instance, would probably take the lead in putting together a special aid package for Turkey while President Giscard and Herr Schmidt also agreed it would be desirable for closer links to be forged between the EEC and the Gulf States.

German officials said the Franco-German initiative should not be seen as presenting either the U.S. or their EEC partners with a "fait accompli" and that the declaration should rather be seen as presenting topics for international discussion. The Foreign Ministers of the Nine, meeting in Brussels today will have the first opportunity.

## Welsh plants to get £48m state aid

THE Government is to provide £48m over the next two years to attract new industries to the areas of South Wales hardest hit by steel plant closures.

Mr. Nicholas Edwards, the Welsh Secretary, told the Commons last night that most of the money will go to the Welsh Development Agency, which is preparing detailed plans for a new infrastructure programme.

He identified the prime need as the acquisition, preparation and development of industrial sites, together with a substantial programme of advance factories within the areas most affected.

Some of the money may also go to the Combrar Development Corporation, which is consulting local authorities about the possible development of industrial land in or around the New Town as a contribution to providing alternative jobs in the Llanwern area.

In Cardiff Mr. Ian Gray, managing director of the Welsh Development Agency, said the £48m would enable the agency to press ahead with programmes of advance factory building in the Port Talbot and Llanwern areas.

Under the BSC proposals, output at both steel plants is due to be slashed down to half their present capacity of 5.5 tonnes, with 11,300 redundancies.

Details, Page 10

## Saudi oil-belt Shi'ites riot

By Our Foreign Staff

DR. ZBIGNIEW BRZEZINSKI, National Security Adviser to President Jimmy Carter, held talks in Riyadh yesterday with Saudi Arabian leaders amid reports of further serious disturbances by the Kingdom's Shi'ite religious minority.

The outbreak of violence, according to a number of independent accounts, centred on the eastern coastal town of Qatif in the oil-producing regions.

Rioting is reported to have broken out there on Friday, the first anniversary of the return to Tehran of Ayatollah Khomeini.

According to eyewitness accounts, confirmed by Western diplomats in Riyadh, four men were shot dead by Saudi security forces and the town was sealed off as buses and cars were set on fire by the demonstrators.

All shops in the town, popu-

lation 60,000 and 40 miles from the big oil terminal of Ras Tanura, were closed on Saturday and Sunday. Only a handful were open for business yesterday.

Two banks, the National Commercial Bank and Al-Rajhi Currency and Exchange Bank, were broken into and damaged, in a repetition of the Shi'ite disturbances at the end of November elsewhere in the same province.

The Saudi leadership has been intensely worried by the prospects of Iran's revolution spreading across the Gulf.

Recent broadcasts beamed by Tehran Radio to Saudi Arabia's traditionally underprivileged Shi'ite minority calling for an "Islamic Government" in the Kingdom has provoked serious concern in Riyadh.

The November riots followed the attack on the Grand Mosque in Mecca by Islamic funda-

mentalists. This was the most serious threat to the Saudi ruling family for a quarter of a century.

A common factor in the unrest has been the opposition by Moslem radicals to the social upheaval caused by the rapid pace of economic development, largely imported from the West. This latest bout of rioting appears to have been sparked off by the arrest of a number of Shi'ite militants by the security forces in the wake of the November riots.

The talks between Dr. Brzezinski, Crown Prince Fahd of Saudi Arabia and Prince Saud, the Foreign Minister, centred on the Soviet invasion of Afghanistan.

A key task would have been efforts to persuade the Saudi Government of a U.S. commitment to protect the area against any possible Soviet encroachment.

## Agreement on Butadiene price

By Sue Cameron, Chemicals Correspondent

INTERNATIONAL Synthetic Rubber is to reopen one of its two styrene-butadiene rubber plants after reaching a "satisfactory" agreement with Esso Chemical on the price of raw material.

The plant, at Hythe in Hampshire, was closed three weeks ago in protest against what ISR claimed were the "extortionate" prices it was being asked to pay for its butadiene raw material by Esso Chemical, BP Chemicals and Imperial Chemical Industries.

It is understood that ISR's action has forced Esso Chemical to lower its butadiene price although yesterday neither company would give details.

The UK-based ISR is Europe's biggest producer of styrene-butadiene rubber. It said nego-

tiations were continuing with its other main raw material suppliers—ICI and BP Chemicals. It added that its plant at Grangemouth in Scotland would remain closed for the time being. The Hythe and Grangemouth plants, which between them have an annual production capacity of 250,000 tonnes, were both closed at the same time in protest against "unfair" prices.

ISR claimed that Esso Chemical, BP Chemicals and ICI were asking it to pay about £330 a tonne for butadiene—17 per cent more than at the end of last year—while although they were shipping the chemical to the U.S. and selling it there for less than £290 a tonne.

Esso Chemical is ISR's biggest

supplier of raw material. The chemical company produces about 80,000 tonnes of butadiene a year at its plant in Fawley, near Southampton and supplies roughly half of ISR's total annual needs of 100,000 tonnes.

Esso Chemical said it had reached agreement with ISR on a butadiene price which it believed to be "fair".

ISR said the two companies had also agreed to try to establish long term arrangements for butadiene supplies.

Last week Esso Chemical admitted that it had been shipping butadiene from the UK to the U.S. where the chemical was being sold at the prevailing market price. The company insisted that U.S. butadiene prices were broadly in line with those of Europe.

## Tougher picketing curbs urged

By Richard Evans

THE CONSULTATIVE document on legal immunities of trades unions is expected to be published on Thursday or Friday, following consideration by the Cabinet this week.

Mr. James Prior, Employment Secretary, remains determined to restrict any amendments to the Employment Bill to clarifying the House of Lords' judgment in the McShane-Express Newspapers case.

But there were signs yesterday of pressure building up both in the Government and on the

Tory back benches for much tougher action to be taken on secondary picketing as well as secondary picketing.

A group of Conservative back-benchers tabled a motion protesting at the current state of industrial law, which gave rise to anarchy when any trades union was legally entitled through coercion and intimidation to threaten the economic well-being of the nation.

The motion goes on to underline the Tory Party's election commitment on reforming trades union law and called on

the Government to follow overwhelming popular demand by introducing immediate legislation to restore industrial equity.

Any amendments to the Employment Bill will have to be tabled before the Bill completes its committee stage. Progress in the first few sittings has been so slow that Ministers are contemplating increasing the number of sittings each week.

The hope is that the committee stage will be completed within the next month, probably under guillotine.

Continued from Page 1

## Hadfields to withhold PAYE

declared legal by the Lords suggests that feelings are still running high.

Mr. Bill Sirs, general secretary of the ISTC, is looking for an offer considerably different from the self-financing 13 or 14 per cent outlined so far before recalling his 60 negotiators.

In the Commons yesterday, Sir Keith Joseph, Industry Secretary, again adamantly rejected Opposition demands for the Government to intervene in the strike.

Mr. Sam Silkin, Labour's Industry Spokesman, blamed the Government's "inaction and complacency" for the extension of the dispute to the private sector.

And Mr. David Steel, Liberal leader, accused the Government of pursuing "the principles of anarchy rather than the principles of Toryism."

should end this "self-destructive" dispute quickly on terms which the industry could afford, he said. The industry had to become internationally competitive.

Meanwhile, the management of the only private steel company where ISTC members have refused to go on strike will be meeting senior officials of the union today in London.

Sheerness Steel on the Isle of Sheppey in Kent, asked the union for a meeting, the ISTC said yesterday. Bp Mr. Roy Evans, assistant general secretary, said the union would be asking the local ISTC officials to bring their men into line.

Yesterday a group of pickets drove 200 miles from Scunthorpe to picket the company and to try to persuade the 800 workers to down tools.

Elsewhere, nearly all the ISTC's 18,000 employees in the private steel sector, which has a total workforce of 55,000—joined the strike.

Midland Iron and Steel Wages Board, representing 20 companies, decided to postpone further wage negotiations.

Metal Box, hit by a growing shortage of tinplate, yesterday offered 2,500 of its workers, a third of its labour force, the choice of taking up to a week's paid holiday or being laid off.

Union leaders at the Neath plant, South Wales, one of the five plants affected, yesterday urged Mr. Len Murray, to secure a relaxation of picketing.

The camera men have big stocks sufficient for several weeks normal output. However, shortages are feared after the steel strike ends.

The BTHSA Independent Steel Producers Association urged the Government to act quickly to stop secondary picketing.

## Weather

## UK TODAY

WIDESPREAD showers, possibly snow. Very windy. Milder in South.

London, E. Anglia, Midlands, S.E. Cent. S. Wales, S. England Sunny intervals with showers, severe winds in places. Max 9C (48F).

S.W. and N.W. England, Wales Showers or prolonged rain, strong winds. Max 10C (50F).

Lake District, I. of Man, N.E. England, S.W. Scotland, N. Ireland Cloudy, outbreaks of rain or snow. Max 4C (39F).

Borders, E. N. Scotland Cloudy, with sleet or snow, some drifting. Max 2C (36F).

Outlook: Becoming brighter, with wintry showers. Cold, with widespread frost.

## WORLDWIDE

	Y'day	midday	Y'day	midday
Ajaccio	14	17	14	17
Amst.	14	17	14	17
Ant.	14	17	14	17
Bah.	14	17	14	17
Bat.	14	17	14	17
Ber.	14	17	14	17
Birm.	14	17	14	17
Bomb.	14	17	14	17
Bord.	14	17	14	17
Bris.	14	17	14	17
Bud.	14	17	14	17
Bufo.	14	17	14	17
B. Aires	14	17	14	17
Card.	14	17	14	17
Cas.	14	17	14	17
Chi.	14	17	14	17
Col.	14	17	14	17
Cong.	14	17	14	17
Corfu	14	17	14	17
Cuba	14	17	14	17
Dub.	14	17	14	17
Edin.	14	17	14	17
Fam.	14	17	14	17
Frank.	14	17	14	17
Gen.	14	17	14	17
Glas.	14	17	14	17
Hank.	14	17	14	17
Hong.	14	17	14	17
Im.	14	17	14	17
Isab.	14	17	14	17
Jam.	14	17	14	17
Jo.	14	17	14	17
Los.	14	17	14	17
Man.	14	17	14	17
Med.	14	17	14	17
Mex.	14	17	14	17
Mos.	14	17	14	17
Nap.	14	17	14	17
Nice	14	17	14	17
Nor.	14	17	14	17
Osaka	14	17	14	17
Paris	14	17	14	17
Perth	14	17	14	17
Rio	14	17	14	17
Rome	14	17	14	17
Salt.	14	17	14	17
Seoul	14	17	14	17
Shanghai	14	17	14	17
Sing.	14	17	14	17
Sydney	14	17	14	17
Tai.	14	17	14	17
Tokyo	14	17	14	17
Toronto	14	17	14	17
Wash.	14	17	14	17
Yokoh.	14	17	14	17

C=Cloudy, F=Fog, R=Rain, S=Sunny, Sn=Snow.

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